

## OFFICIAL STATEMENT

Ratings: Moody's: "Aa2"  
Standard & Poor's: "AA+"  
Fitch: "AA+"  
(See "OTHER RELEVANT INFORMATION – Ratings".)

### NEW ISSUE – Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "OTHER RELEVANT INFORMATION – Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

**\$123,445,000**  
**CITY OF AUSTIN, TEXAS**  
**(Travis and Williamson Counties)**  
**PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2001**

**Dated: June 1, 2001**

**Due: September 1, as shown below**

Interest on the \$123,445,000 City of Austin, Texas (the "City"), Public Improvement Refunding Bonds, Series 2001 (the "Bonds"), will accrue from the dated date as shown above and will be payable September 1 and March 1 of each year, commencing September 1, 2001, and will be calculated on the basis of a 360-day year of twelve 30-day months. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "BOND INFORMATION – Book-Entry-Only System").

The Bonds are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the Bonds (see "BOND INFORMATION – Security for the Bonds").

Proceeds from the sale of the Bonds will be used to refund portions of the City's outstanding general obligation debt and to pay certain costs of issuance of the Bonds (see "PLAN OF FINANCING – Purpose" and APPENDIX D – "Summary of Bonds Refunded").

### MATURITY SCHEDULE

CUSIP Prefix: 052394

<u>Maturity</u> <u>(September 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or Yield</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or Yield</u>
2001	\$ 2,690,000	4.50%	2.99%	2009	\$3,900,000	5.25%	4.28%
2002	21,420,000	5.00%	2.78%	2010	4,145,000	5.50%	4.38%
2003	20,990,000	5.00%	3.22%	2011	4,405,000	5.50%	4.48%
2004	15,350,000	5.25%	3.51%	2012	4,685,000	5.50%	4.58%*
2005	13,080,000	5.25%	3.70%	2013	4,970,000	5.50%	4.70%*
2006	5,075,000	5.25%	3.86%	2014	875,000	4.75%	4.85%
2007	11,810,000	5.25%	4.03%	2015	925,000	4.75%	4.95%
2008	6,160,000	5.25%	4.16%				

**\$1,610,000 5.000% Term Bonds Due September 1, 2018 Priced to Yield 5.14%**

**\$1,355,000 5.125% Term Bonds Due September 1, 2022 Priced to Yield 5.27%**

(Plus Accrued Interest from June 1, 2001)

\*Priced to Call Date.

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2012, in whole or in part in the principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2011, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. The Bonds maturing on September 1 in each of the years 2018 and 2022 also are subject to mandatory sinking fund redemption. See "BOND INFORMATION – Redemption of Bonds"

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. Certain additional legal matters will be passed on for the Underwriter by Fulbright & Jaworski L.L.P. The opinion of Bond Counsel will be printed on or attached to the Bonds (see Appendix C – "Form of Bond Counsel's Opinion").

It is expected that the Bonds will be delivered through the facilities of DTC on or about July 18, 2001.

### SIEBERT BRANDFORD SHANK & CO., LLC

**BEAR STEARNS & CO., INC.**  
**MERRILL LYNCH & CO.**

**ESTRADA HINOJOSA & COMPANY, INC.**  
**MORGAN KEEGAN & COMPANY, INC.**

**GOLDMAN, SACHS & CO.**  
**MORGAN STANLEY DEAN WITTER**

Dated: June 14, 2001

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

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

The information set forth herein has been furnished by the City and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of the opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described herein since the date hereof. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Bonds.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the City or from Public Financial Management, Inc., the Financial Advisor to the City. Any statements made in this Official Statement or the Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

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

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## CITY OF AUSTIN

### Elected Officials

	<u>Term Expires June 15</u>
Kirk Watson ..... Mayor	2003
Daryl Slusher ..... Councilmember Place 1	2002
Raul Alvarez..... Councilmember Place 2	2003
Jackie Goodman, Mayor Pro Tem..... Councilmember Place 3	2002
Beverly Griffith..... Councilmember Place 4	2002
William Wynn..... Councilmember Place 5	2003
Danny Thomas..... Councilmember Place 6	2003

### Appointed Officials

Jesus Garza .....	City Manager
Toby Futrell.....	Deputy City Manager
Lisa Gordon.....	Acting Assistant City Manager
Betty Dunkerley, CPA.....	Assistant City Manager
Roger M. H. Chan.....	Assistant City Manager
John Stephens, CPA .....	Director of Financial Services
Andrew Martin .....	City Attorney
Shirley A. Brown .....	City Clerk

### BOND COUNSEL

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

### FINANCIAL ADVISOR

Public Financial Management  
Austin, Texas

### AUDITORS

KPMG LLP and Richard Mendoza, CPA  
Austin, Texas

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## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

This data page was prepared to present the purchasers of the Bonds information concerning the Bonds, the taxes pledged to payment of the Bonds, the description of the tax base and other pertinent data, all as more fully described herein.

**The Issuer.....** The City of Austin, Texas, is a political subdivision located in Travis and Williamson Counties, operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended. The City operates under the Council/Manager form of government where the mayor and six councilmembers are elected for staggered three-year terms. The Council formulates operating policy for the City while the City Manager is the chief administrative officer.

The City is approximately 253.67 square miles in area (see Appendix A – “General Information Regarding the City”).

**The Bonds .....** The Bonds are being issued in the principal amount of \$123,445,000 pursuant to the general laws of the State of Texas, particularly Chapter 1207, Texas Government Code and an Ordinance passed by the City Council of the City (see “BOND INFORMATION – Authority for Issuance”).

**Security for the Bonds.....** The Bonds constitute direct obligations of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on taxable property within the City in an amount sufficient to provide for payment of principal of and interest on all ad valorem tax debt.

**Redemption of Bonds .....** The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2012, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2011, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. The Bonds maturing on September 1 in each of the years 2018 and 2022 also are subject to mandatory redemption (see “BOND INFORMATION – Redemption of Bonds”).

**Tax Exemption .....** In the opinion of Bond Counsel, the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds will not constitute private activity bonds. See “OTHER RELEVANT INFORMATION – Tax Exemption” for a discussion of the opinion of Bond Counsel including the alternative minimum tax consequences for corporations.

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

*[The remainder of this page is intentionally left blank.]*

### Selected Issuer Indices

Fiscal Year Ended	Estimated City <u>Population</u> (1)	Taxable Assessed <u>Valuation</u> (2)	Per Capita Taxable Assessed <u>Valuation</u>	Net Funded <u>Tax Debt</u> (3)	Per Capita Net Funded <u>Tax Debt</u>	Ratio Net Funded Tax Debt to Taxable Assessed <u>Valuation</u>	% of Total Tax <u>Collections</u>
9-30							
1991	466,530	\$17,189,792,203	\$36,846.06	\$379,909,732	\$814.33	2.21%	99.30%
1992	474,715	16,926,074,265	35,655.23	385,028,924	811.07	2.27%	99.60%
1993	478,254	16,977,306,423	35,498.51	418,233,093	874.50	2.46%	99.49%
1994	507,468	18,237,532,094	35,938.29	422,737,988	833.03	2.32%	100.07%
1995	523,352	20,958,589,300	40,046.83	436,867,901	834.75	2.08%	100.10%
1996	541,889	23,303,015,047	43,003.30	443,247,034	817.97	1.90%	99.91%
1997	560,939	25,823,385,257	46,036.00	476,147,167	848.84	1.84%	99.47%
1998	608,214	27,493,058,735	45,202.94	500,027,010	822.12	1.82%	99.37%
1999	619,038	32,458,349,755	52,433.53	509,759,139	823.47	1.57%	99.57%
2000	628,667	35,602,840,326	56,632.27	540,282,278	859.41	1.52%	99.85%
2001	637,107	41,367,384,255 (4)	64,930.04	543,513,361 (5)	853.10 (5)	1.31% (5)	100.26% (6)

(1) Source: City of Austin Planning/Growth Department.

(2) Property reappraised every year except 1992.

(3) Excludes general obligation debt issued for enterprise funds, and general fund departments which transfer in from operating Budgets.

(4) Certified Appraised Value, including \$1,716,651,599 in property in the appeals process.

(5) Projected.

(6) Estimated collections as of March 31, 2001.

*[The remainder of this page is intentionally left blank.]*

## **OFFICIAL STATEMENT**

**Relating to**

**\$123,445,000**

**CITY OF AUSTIN, TEXAS**

**PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2001**

### **INTRODUCTION**

This Official Statement, which includes the cover pages, the summary statement and the appendices hereto, provides certain information regarding the issuance by the City of Austin, Texas (the "City"), of \$123,445,000 City of Austin, Texas, Public Improvement Refunding Bonds, Series 2001 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Bond Ordinance" or the "Ordinance"), except as otherwise indicated herein.

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

### **PLAN OF FINANCING**

#### **Purpose of Refunding Bonds**

The Bonds are being issued to refund \$123,418,000 of the City's currently outstanding general obligation debt (the "Refunded Bonds") and to pay costs of issuance. The refunding will result in debt service savings to the City. See Appendix D for a listing of the Refunded Bonds.

#### **Refunded Bonds**

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption dates of such bonds from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and Bank One, NA, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that the proceeds of the sale of the Bonds will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

The Arbitrage Group, Inc., a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the initial purchaser the mathematical accuracy of the schedules that demonstrates the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities, and other uninvested funds in the Escrow Fund, will not be available to pay the Bonds.

By deposit of the Federal Securities and cash 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 Federal Securities and cash held for such purpose by the Escrow Agent, and such Refunded Bonds will not be deemed as being outstanding for the purpose of any limitation on debt or the assessment of taxes.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund from lawfully available funds, or any additional amounts required to pay the principal of and interest on the Refunded Bonds, if, for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

## Sources and Uses of Funds

The proceeds of the Bonds will be applied substantially as follows:

### Sources of Funds:

Principal Amount of the Bonds	\$123,445,000.00
Original Issue Premium	5,890,641.25
Accrued Interest	<u>833,656.79</u>
Total Available Funds	<u>\$130,169,298.04</u>

### Application of Funds:

Deposit to Escrow Fund	\$128,476,462.87
Underwriter's Discount	555,328.00
Costs of Issuance	303,850.38
Deposit to the I& S Fund	<u>833,656.79</u>
Total Available Funds	<u>\$130,169,298.04</u>

## BOND INFORMATION

### Authority for Issuance

The City is authorized to issue the Bonds under authority granted by Chapter 1207, Texas Government Code and by the Bond Ordinance.

### General

The Bonds are dated June 1, 2001 and shall bear interest on the unpaid principal amounts from such date, at the respective per annum rates shown on the cover page hereof. Principal is payable, upon presentation thereof, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "Paying Agent/Registrar" herein). Interest thereon is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the bondholder. The Bonds are issued only as fully registered obligations in denominations of \$5,000 or any integral multiple thereof within a maturity.

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

### Security for the Bonds

The Bonds constitute direct obligations of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on taxable property located within the City in an amount sufficient to pay the principal of and interest on all ad valorem tax debt.

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter sometimes referred to herein as the "Charter" which also limits the City's ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. Within such Charter limitation, the total tax which may be levied annually by the City for municipal general operating purposes may not exceed \$1.00 per \$100 assessed valuation.



## Bondholder Remedies

The Bond Ordinance obligates the City Council to assess and collect an annual ad valorem tax sufficient to pay when due the respective principal of and interest when due on the Bonds and also creates a pledge of such tax to the payment of the Bonds.

Upon the failure of the City to make payment of principal or interest when the same becomes due and payable, then any bondholder, or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained therein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the bondholder thereunder or any combination of such remedies but the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Ordinance. All such proceedings shall be instituted and maintained for the equal benefit of all such bondholders.

Although a bondholder could presumably obtain a judgment against the City if a default occurred in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the City. The bondholder's only practical remedy, if a default occurs in the payment of principal or interest, is a mandamus or mandatory injunction proceeding to compel the City Council to levy, assess and collect an annual ad valorem tax within the tax rate limitation sufficient to pay principal and interest as it becomes due. The bondholder could be required to enforce such remedy on a periodic basis. No right to accelerate maturity is granted by the Bond Ordinance.

The enforcement or claim for payment of principal or interest, including the remedy of mandamus, and the validity of the pledge of taxes, would be subject to the applicable provisions of the federal bankruptcy laws and to other laws affecting the rights of creditors of political subdivisions generally.

## Redemption of Bonds

**Optional Redemption.** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2012, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2011, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. If less than all of the 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 Paying Agent/Registrar (or The Depository Trust Company, New York, New York ("DTC") while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

At least thirty days prior to a redemption date, the City shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Bond Ordinance. If a Bond (or a portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date thereof, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

**Mandatory Redemption.** The Bonds maturing on September 1 in each of the years 2018 and 2022 (the "Term Bonds") are subject to mandatory redemption prior to maturity in part at random, by lot or other customary method selected by the Registrar, at 100% of the principal amount thereof plus accrued interest to the date of redemption on the dates, in the years and principal amounts as follows:

Term Bonds due September 1, 2018	
<u>Redemption Date</u>	<u>Amount</u>
September 1, 2016	\$705,000
September 1, 2017	550,000
September 1, 2018	355,000(a)

Term Bonds due September 1, 2022	
<u>Redemption Date</u>	<u>Amount</u>
September 1, 2019	\$375,000
September 1, 2020	400,000
September 1, 2021	425,000
September 1, 2022	155,000(a)

(a) Maturity.

## Defeasance of Bonds

The Bond Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance

Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Bond Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date, those Bonds which have been defeased to their maturity date, if the City; (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

### **Book-Entry-Only System**

**The City has elected to utilize the Book-Entry-Only System of DTC, as described under this heading. The obligation of the City is to timely pay the Paying Agent/Registrar the amount due under the Bond Ordinance. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Bonds are described herein.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each respective maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system **is also available** to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds 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. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to immediately credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. 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, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

So long as DTC (or a successor securities depository) is securities depository for the Bonds, the City shall have no responsibility to the respective Direct Participants, Indirect Participants or Beneficial Owners with respect to payment to, or providing notice to such Direct Participants, Indirect Participants or Beneficial Owners, or with respect to the records maintained by DTC, successor securities depository, Direct Participant or Indirect Participant.

**Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City.**

### **Paying Agent/Registrar**

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

### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class

postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt thereof to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Limitation on Transfer of Bonds Called for Redemption**

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled principal of a Bond.

## **TAX INFORMATION**

### **Ad Valorem Tax Law**

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title 1, V.T.C.A. Tax Code (commonly known as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. State law further limits the appraised value of a residence homestead for a tax year (the "Homestead 10% Increase Cap") to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

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

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

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

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

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

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

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older and to the disabled of \$51,000.

The City may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has adopted criteria for granting tax abatements which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years.

### **Tax Valuation**

January 1, 2000 Appraised Valuation (1)		\$44,970,616,119
Less Local Exemptions to Assessed Values: (2)		
Residential Homestead over 65	\$1,024,725,904	
Homestead 10% Increase Cap (3)	1,358,238,340	
Disabled Veterans	34,838,826	
Agricultural and Historical Exemptions	286,889,676	
Disability Exemption	83,601,246	
Freeport Exemption	<u>814,937,872</u>	<u>3,603,231,864</u>
January 1, 2000 Net Taxable Assessed Valuation (1)		<u>\$41,367,384,255</u>

- (1) 2000 Certified Appraised Value includes \$1,716,651,599 in property in the appeals process.
- (2) Exemptions or adjustments to assessed valuation granted in 2000 include (a) exemptions of \$51,000 for resident homestead property of property owners over 65 years of age; (b) exemptions for residents homestead property exceeding a 10 percent increase in valuation from the previous year; (c) exemptions ranging from \$5,000 to \$12,000 for property of disabled veterans or certain surviving dependents of disabled veterans; (d) certain adjustments to productive agricultural lands; (e) exemptions to the land designated as historically significant sites by certain public bodies; (f) exemptions of \$51,000 to disabled resident homestead property owners; (g) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.
- (3) The Homestead 10% Increase Cap went into effect with the January 1, 1998 valuation at which time the Homestead 10% Increase Cap was \$206,459,850. The Homestead 10% Increase Cap for the January 1, 1999 valuation was \$247,680,136.

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## Statement of Debt

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

	As of <u>June 1, 2001</u>	
Public Improvement Bonds (1)	\$448,980,000	
Certificates of Obligation (1)	43,070,000	
Contractual Obligations	31,690,000	
Assumed Bonds (1) (2)	18,795,000	
Contract Tax Bonds (3)	1,410,000	
Tax Notes	15,400,000	
The Bonds	<u>123,445,000</u>	
Total		\$682,790,000
Less Self-Supporting Debt:		
Assumed Bonds (2)	\$ 15,474,801	
Contract Tax Bonds (3)	1,410,000	
Airport (4)	720,084	
Austin Energy (4)	3,071,409	
Convention Center (4)	508,822	
Fleet Management (4)	1,689,421	
Golf (4)	8,654,697	
Solid Waste (4)	16,498,929	
Transportation (4)	436,054	
Water and Wastewater (4)	10,044,985	
Watershed Protection (4)	<u>1,626,015</u>	60,135,217
Interest and Sinking Fund, All Public Improvement Bonds (5)		<u>60,836,047</u>
Net Debt (6)		\$561,818,000
Ratio Total Debt to 2001 Net Taxable Assessed Valuation		1.65%
Ratio Net Debt to 2001 Net Taxable Assessed Valuation		1.36%

2001 Population (Estimate) – 637,107 (7)  
Per Capita Net Taxable Assessed Valuation – \$64,930.04  
Per Capita Net Debt Outstanding – \$891.34

- (1) Excludes the Refunded Bonds.
- (2) Represents bonds of utility districts annexed by the City.
- (3) Represents bonds of certain utility districts which the City has agreed to pay from the levy of an ad valorem tax sufficient to pay debt service if surplus water and wastewater revenues are not sufficient to meet debt service requirements.
- (4) Airport, Austin Energy, Convention Center, Fleet Management, Golf, Solid Waste, Transportation, Water, Wastewater and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for Airport, Austin Energy, Convention Center, Fleet Management, Golf, Solid Waste, Transportation, Water, Wastewater and Watershed Protection is paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise. Fleet Management is an internal service fund, which generates revenue through charges to user departments.
- (5) Represents estimate of cash plus investments at cost on May 31, 2001.
- (6) Various general fund departments have issued debt which is supported by a transfer into the debt service fund from the issuing department. These departments budget the required debt service which reduces the debt service tax requirement. If excluded, these obligations would lower net debt by \$19,298,543.
- (7) Source: City of Austin Planning/Growth Department. This figure does not include areas annexed for limited purposes.

## Revenue Debt

In addition to the above, on a pro forma basis, the City had outstanding (as of June 1, 2001) \$2,214,492,601 Combined Utility Systems Revenue Bonds payable from a prior and subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; \$126,700,000 Electric Utility Obligations payable from a subordinate lien on the net revenues of the Electric Utility System; \$100,000,000 Water and Wastewater Obligations payable from a subordinate lien on the net revenue of the Water and Wastewater System, and \$389,464,001 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System.

The City also has outstanding (as of June 1, 2001) \$402,245,000 Airport System Prior Lien Revenue Bonds payable from revenue of the City's Airport System. The City also has outstanding (as of June 1, 2001) \$247,940,000 in Convention Center Bonds, payable from hotel/motel occupancy tax collections and revenue of the Convention Center.

## Obligations Subject to Annual Appropriation

The City has entered into two subleases (the "Subleases") with respect to space to house the Electric Utility and the Water and Wastewater Utility, and \$11,410,000 and \$7,450,000, respectively, of Certificates of Participation are outstanding and payable from payments made under such Subleases. The City anticipates funding the required lease payments from the revenue of the respective utility system, although the City may make such payments from any available funds of the City as a whole appropriated for such purposes. The revenue of the Electric System and the Water and Wastewater System are not specifically pledged in such Subleases.

## Valuation and Funded Debt History

Fiscal Year Ended	Estimated Population (1)	Net Taxable Assessed Valuation (2)	Net Taxable Assessed Valuation Per Capita	Net Funded Tax Debt (3)	Ratio Net Funded Debt To Taxable Assessed Valuation	Per Capita Net Funded Tax Debt
9-30						
1991	466,530	\$17,189,792,203	\$36,846.06	\$379,909,732	2.21%	\$814.33
1992	474,715	16,926,074,265	35,655.23	385,028,924	2.27%	811.07
1993	478,254	16,977,306,423	35,498.51	418,233,093	2.46%	874.50
1994	507,468	18,237,532,094	35,938.29	422,737,988	2.32%	833.03
1995	523,352	20,958,589,300	40,046.83	436,867,901	2.08%	834.75
1996	541,889	23,303,015,047	43,003.30	443,247,034	1.90%	817.97
1997	560,939	25,823,385,257	46,036.00	476,147,167	1.84%	848.84
1998	608,214	27,493,058,735	45,202.94	500,027,010	1.82%	822.12
1999	619,038	32,458,349,755	52,433.53	509,759,139	1.57%	823.47
2000	628,667	35,602,840,326	56,632.27	540,282,278 (4)	1.52% (4)	859.41 (4)
2001	637,107	41,367,384,255 (5)	64,930.04	543,513,361 (4)	1.31% (4)	853.10 (4)

(1) Source: City of Austin Planning/Growth Department; Fiscal Year 1990 population is that reported by the U.S. Bureau of Census.

(2) Property reappraised every year except 1990 and 1992.

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

(4) Projected.

(5) Certified Appraised Value, including \$1,716,651,599 in property in the appeals process.

## Tax Rate, Levy and Collection History

Fiscal Year Ended 9–30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
1991	\$0.5695	\$0.2984	\$0.2711	\$97,895,866	97.31%	99.30%
1992 (1)	0.6027	0.3265	0.2762	102,013,450	97.81%	99.60%
1993	0.6410	0.3460	0.2950	108,824,534	98.03%	99.49%
1994	0.6225	0.3462	0.2763	113,528,637	98.76%	100.07%
1995	0.5625	0.3132	0.2493	117,892,065	99.00%	100.10%
1996	0.5446	0.3177	0.2269	126,908,220	99.03%	99.91%
1997	0.5251	0.3117	0.2134	135,598,596	98.96%	99.47%
1998	0.5401	0.3304	0.2097	148,490,010	98.80%	99.37%
1999	0.5142	0.3265	0.1877	166,900,834	98.89%	99.57%
2000	0.5034	0.3222	0.1812	179,224,698	99.08%	99.85%
2001	0.4663	0.3011	0.1652	194,598,713	99.16% (2)	100.26% (2)

(1) Annexation of the North Central Austin Growth Corridor MUD No. 1 on December 18, 1990 increased the assessed valuation property base.

(2) Estimated collections as of March 31, 2001.

## Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2000 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Motorola Corporation (1)	Manufacturing	\$ 742,266,590	1.8%
Advanced Micro Devices, Inc.	Manufacturing	631,796,141	1.5%
Applied Materials Inc.	Manufacturing	362,398,238	0.8%
Samsung Austin Semiconductor (2)	Manufacturing	316,592,055	0.8%
IBM Corporation	Manufacturing	255,535,253	0.6%
Southwestern Bell Telephone Company	Telephone Utility	251,975,810	0.6%
Crescent Real Estate Equities	Real Estate	213,254,982	0.5%
Minnesota Mining and Manufacturing Company	Manufacturing	192,390,165	0.5%
Hub Properties Trust	Real Estate	188,681,495	0.5%
Carramerica Realty Limited Partnership	Real Estate	147,088,836	0.4%
		<u>\$3,301,979,565</u>	<u>8.0%</u>

Source: Travis Central Appraisal District.

(1) The Motorola Corporation received an abatement for \$329,397,952 in real and personal property value.

(2) The Samsung Corporation received an abatement for \$277,572,861 in real and personal property value.

## Property Tax Rate Distribution

	Fiscal Year Ended September 30				
	1997	1998	1999	2000	2001
General Fund	\$ .3117	\$ .3304	\$ .3265	\$ .3222	\$ .3011
Interest and Sinking Fund	<u>.2134</u>	<u>.2097</u>	<u>.1877</u>	<u>.1812</u>	<u>.1652</u>
Total Tax Rate	\$ .5251	\$ .5401	\$ .5142	\$ .5034	\$ .4663 (1)

(1) Approved at one cent above the Effective Tax Rate.



# Net Taxable Assessed Valuations, Tax Levies and Collections

Fiscal Year Ended	Valuation	Real Property		Personal Property		Net Taxable		% Current	% Total
9-30	Date	Amount	% of Total	Amount	% of Total	Assessed Valuation (1)	Total Tax Levy	Collections	Collections
1991	1-1-90	\$13,961,549,227	81.22%	\$3,228,242,976	18.78%	\$17,189,792,203	\$97,895,866	97.31%	99.30%
1992	1-1-91	13,461,306,863	79.53%	3,464,767,402	20.47%	16,926,074,265	102,013,450	97.80%	99.60%
1993	1-1-92	13,518,317,808	79.60%	3,458,988,615	20.40%	16,977,306,423	108,824,534	98.03%	99.49%
1994	1-1-93	14,828,873,350	81.30%	3,408,658,744	18.70%	18,237,532,094	113,528,637	98.76%	100.07%
1995	1-1-94	17,350,805,301	82.79%	3,607,783,999	17.21%	20,958,589,300	117,892,065	99.00%	100.10%
1996	1-1-95	19,478,990,278	83.59%	3,824,024,769	16.41%	23,303,015,047	126,908,220	99.03%	99.91%
1997	1-1-96	21,488,717,069	83.21%	4,334,668,188	16.79%	25,823,385,257	135,598,596	98.96%	99.47%
1998	1-1-97	22,693,966,978	82.54%	4,799,091,757	17.46%	27,493,058,735	148,490,010	98.80%	99.37%
1999	1-1-98	27,225,077,724	83.88%	5,233,272,031	16.12%	32,458,349,755	166,900,834	98.89%	99.57%
2000	1-1-99	30,114,175,223	84.58%	5,488,665,103	15.42%	35,602,840,326	179,224,698	99.08%	99.85%
2001	1-1-00	35,257,000,679	85.23%	6,110,383,576	14.77%	41,367,384,255	192,896,113	99.16%	100.26% (2)

(1) Property reappraised every year except 1990 and 1992.

(2) Estimated collections through March 31, 2001.

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## **Tax Rate Limitation**

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter which also limits the City's ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. Within such Charter limitation, the total tax which may be levied annually by the City for municipal general operating purposes may not exceed \$1.00 per \$100 assessed valuation.

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

Under the Tax Code, the City Council is prohibited from adopting a tax rate that will result in any increase in total tax revenue from the preceding fiscal year until it has held a public hearing on the proposed increase following notice to the taxpayers.

Each year the City must calculate and publicize certain information concerning its proposed tax rate, including its "rollback tax rate." The rollback tax rate is the rate that will produce last year's maintenance and operation tax levy multiplied by 1.08 plus a rate that will produce the current year's debt service, with such rates being adjusted to take into account new exemptions and property additions to the tax roll. If the adopted rate exceeds the rollback tax rate, the qualified voters of the City may petition the City Council to call an election to determine whether to reduce the tax rate adopted for the City to the rollback tax rate.

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

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# DEBT INFORMATION\*

## Debt Service Requirements

Fiscal Year	Public	Certificates	Short - Term	Contract	Assumed	The	Grand	Less	Net	Percent
Ending	Improvement	of	Obligations (a) (b)	Tax	MUD & WCID	Refunding	Total	Self-Supporting	Total	Principal
09/30	Bonds (a)	Obligation (a)		Bonds	Bonds (a)	Bonds (c)	Requirements	Requirements (d)	Requirements	Payout
2001	\$ 47,811,946	\$ 3,216,193	\$ 534,300	\$ 854,288	\$ 2,806,585	\$ 4,286,364	\$ 59,509,675	7,127,949	\$ 52,381,726	
2002	38,971,975	4,275,418	10,997,255	159,661	3,664,975	27,684,406	85,753,690	15,944,023	69,809,667	
2003	36,939,865	4,008,113	11,473,980	172,948	3,415,711	26,183,406	82,194,023	15,294,365	66,899,658	
2004	43,610,380	4,007,833	20,291,529	160,705	3,453,944	19,493,906	91,018,297	24,169,758	66,848,539	
2005	46,903,854	3,826,221	5,899,919	148,553	2,805,925	16,418,031	76,002,503	10,720,979	65,281,524	37.94%
2006	54,347,044	3,396,806	3,336,756	-	2,353,724	7,726,331	71,160,661	5,090,995	66,069,666	
2007	41,068,864	3,416,881	890,663	-	1,261,653	14,194,894	60,832,954	5,663,627	55,169,327	
2008	39,640,949	3,436,191	-	-	1,111,385	7,924,869	52,113,394	4,475,672	47,637,722	
2009	38,934,444	3,461,526	-	-	991,463	5,341,469	48,728,901	4,517,988	44,210,913	
2010	39,684,719	3,480,111	-	-	997,573	5,381,719	49,544,121	4,519,187	45,024,934	66.25%
2011	37,125,656	3,502,489	-	-	1,001,480	5,413,744	47,043,369	4,630,099	42,413,270	
2012	32,556,908	3,532,229	-	-	1,003,240	5,451,469	42,543,845	4,423,529	38,120,316	
2013	28,224,901	3,558,471	-	-	1,017,960	5,478,794	38,280,126	4,349,107	33,931,019	
2014	29,792,733	3,026,544	-	-	1,214,635	1,110,444	35,144,355	3,720,018	31,424,337	
2015	25,848,518	3,042,774	-	-	1,213,546	1,118,881	31,223,719	3,396,062	27,827,657	88.34%
2016	21,550,285	3,061,931	-	-	1,229,024	854,944	26,696,184	3,146,861	23,549,323	
2017	17,848,335	3,093,981	-	-	1,011,643	664,694	22,618,653	2,731,905	19,886,748	
2018	14,382,356	2,952,694	-	-	716,688	442,194	18,493,931	2,194,605	16,299,326	
2019	12,864,619	991,613	-	-	-	444,444	14,300,675	1,240,723	13,059,952	
2020	6,638,625	526,875	-	-	-	450,225	7,615,725	349,323	7,266,402	
2021	-	-	-	-	-	454,725	454,725	54,907	399,818	
2022	-	-	-	-	-	162,944	162,944	19,675	143,269	100.00%

(a) Excludes the Refunded Obligations.

(b) Includes principal and interest on Contractual Obligations and Taxable Tax Notes, Series 1997.

(c) Includes principal and interest on The Bonds.

(d) Includes principal and interest on all self-supporting debt (see "Statement of Debt", p. 8).

\*As of June 1, 2001

**Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (As of 9-30-00)**

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

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable (2)</u>	<u>Overlapping Funded Debt</u>
City of Austin	\$550,038,736 (1)	100.00%	\$ 550,038,736
Austin Independent School District	541,767,634	77.44%	419,544,856
Travis County	346,992,873	74.00%	256,774,726
Round Rock Independent School District	341,316,094	4.88%	16,656,225
Leander Independent School District	226,387,760	0.14%	316,943
Pflugerville Independent School District	120,906,401	1.87%	2,260,950
Eanes Independent School District	55,191,433	3.51%	1,937,219
Williamson County	12,437,621	2.55%	317,159
Del Valle Independent School District	43,880,000	78.00%	34,226,400
Manor Independent School District	37,218,197	1.48%	550,829
Austin Community College	25,550,000	88.00%	22,484,000
North Austin Municipal Utility District No. 1	16,175,997	100.00%	16,175,997
Northwest Austin Municipal Utility District No. 1	8,029,352	100.00%	8,029,352
Northwest Travis County Road District No. 3	6,370,000	100.00%	6,370,000
Anderson Mill Municipal Utility District	415,000	1.49%	<u>6,184</u>
<b>TOTAL DIRECT AND OVERLAPPING FUNDED DEBT</b>			<b>\$1,335,689,576</b>
 Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (3)			 3.75%
 Per Capita Overlapping Funded Debt (4)			 2,124.64

(1) Excludes general obligation debt reported in enterprise funds

(2) Source: Taxing jurisdiction

(3) Based on assessed valuation of \$35,602,840,326

(4) Based on 2000 estimated population of 628,667

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## Authorized General Obligation Bonds

<u>Purpose</u>	<u>Date</u> <u>Authorized</u>	<u>Amount</u> <u>Authorized</u>	<u>Amount</u> <u>Previously</u> <u>Issued (1)</u>	<u>Unissued</u> <u>Balance</u>
Brackenridge 2000	10-22-83	\$ 50,000,000	\$40,785,000	\$ 9,215,000
Drainage and Flood Control	09-08-84	48,535,000	46,544,000	1,991,000
Parks Improvements	09-08-84	9,975,000	9,648,000	327,000
Cultural Arts	01-19-85	20,285,000	14,890,000	5,395,000
Asbestos Abatement, ADA Compliance and East Austin Health Clinic	08-08-92	18,800,000	15,730,000	3,070,000
Erosion & Flood Control	08-08-92	21,570,000	19,643,000	1,927,000
Communications Equipment	05-03-97	38,000,000	38,000,000*	0*
Walnut Creek Watershed	05-02-98	10,000,000	4,590,000	5,410,000
Traffic Signals	11-03-98	152,000,000	5,230,000	146,770,000
Park and Recreation Facilities	11-03-98	75,925,000	11,735,000	64,190,000
Public Safety Facilities	11-03-98	54,675,000	8,925,000	45,750,000
Cultural Arts and Land Acquisition	11-03-98	46,390,000	5,750,000	40,640,000
Drainage and Flood Control	11-03-98	10,750,000	10,750,000	0
TOTAL				<u>\$324,685,000</u>

\* The City issued \$24,420,000 of this total in Contractual Obligations and therefore applied the amount toward the authorized general obligation bonds total.

## Anticipated Issuance of General Obligation Bonds

The City does anticipates the issuance of additional general obligation bonds in the fall of 2001. The City continues to review opportunities for refunding certain previously issued general obligation bonds and assumed debt.

## Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City's Home Rule Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter which adopts the constitutional provisions and also contains a limitation that the total tax which may be levied annually by the City for municipal general operating purposes may not exceed \$1.00 per \$100 assessed valuation.

## FISCAL MANAGEMENT

### The Capital Improvements Program Plan and Capital Budget

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

The City Manager considers the Planning Commission's recommended Plan to propose a Capital Budget to the City Council. The Capital Budget contains requested appropriations for new projects, additional appropriations for previously approved projects and any requests to revise prior year appropriations. Unlike the Operating Budget, which authorizes expenditures for only one fiscal year, Capital Budget appropriations are multi-year, lasting until the project is complete or until changed by the City Council.

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

## 2000–2001 Capital Budget

The 2000-2001 five-year Capital Improvement Program (CIP) plan was reviewed by the Planning Commission, the Bond Oversight Committee and other boards and commissions. Public input was received at a public hearing held by the Planning Commission and the Bond Oversight Committee. The plan estimates city-wide capital spending in 2000-2001 of \$485.7 million in enterprise funds and \$195.4 million in general government funds.

The first year of the five-year plan was used to determine the new appropriations required for inclusion in the 2000-01 Capital Budget. Total new approved appropriation for General Government CIP Funds is \$125.6 million and total new approved appropriation for Enterprise CIP Funds is \$329.1 million. Appropriation by department is listed below.

Summary of 2000–2001 Approved Capital Budget (in millions):	
Austin Energy	\$268.3
Aviation	22.1
Convention Center	19.1
Golf	0.9
Solid Waste Services	5.4
Wastewater Utility	130.1
Water Utility	49.6
Watershed Protection (Drainage Only)	<u>6.8</u>
Enterprise Appropriations	\$502.3
Emergency Management Services	\$ 0.7
Fire	7.3
Fleet Maintenance	4.5
General Government	5.3
Health and Human Services	0.1
Library	5.5
Parks and Recreation Department	18.6
Planning, Environmental Conservation	0.4
Austin Police Department	17.0
Public Works and Transportation	40.9
Telecommunications	12.2
Watershed Protection General Government	<u>2.4</u>
General Government Appropriations	\$114.9
TOTAL PROPOSED NEW APPROPRIATIONS	<u>\$617.2</u>

## Operating Budget

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

In June 1989, the City Council approved Financial Management Policies, which were last amended in September 2000. Among other items, these policies require that a General Fund Emergency Reserve Fund of at least \$15,000,000 shall be budgeted. Additionally, a General Fund Contingency Reserve Fund of 1% of total budgeted departmental expenditures, but not less than \$2,000,000, shall be budgeted annually. The 2000-2001 approved budget is in compliance with these requirements.

**2000–2001 Budget (Amounts are in thousands)**

The approved budget was prepared in accordance with guidelines provided by the City Council and included a tax rate of \$0.4663 cents per \$100 assessed valuation, a decrease of 7.37% as compared to the 1999-2000 rate of \$0.5034. The City Council held work sessions and conducted public hearings on the budget prior to its adoption. The following is a summary of the approved 2000-2001 General Fund Budget.

Beginning Balance, October 1, 2000 (Budget Basis) (000's omitted) \$ 10,316

**Summary of Budgeted General Fund Resources****Revenues:**

General Property Taxes	\$124,568
City Sales Tax	131,813
Mixed Drink Tax	3,162
Gross Receipts Fees	28,002
Miscellaneous	<u>53,443</u>

Total Revenues \$340,988

**Transfers In:**

Electric Light and Power System Fund	\$ 66,468
Water and Wastewater System Fund	18,541
Other Transfers	<u>4,377</u>

Total Transfers In \$ 89,386

Total General Fund Resources \$430,374

**Summary of Budgeted General Fund Requirements****Departmental Appropriations:**

Administrative Services	\$ 9,745
Urban Growth Management	16,194
Public Safety	210,857
Public Works	6,165
Public Health and Human Services	51,223
Public Recreation and Culture	<u>47,898</u>

Total Departmental Appropriations \$342,082

**Transfers Out:**

Support Services Fund	\$ 42,833
Fleet and Vehicle Acquisition Funds	3,918
Other Funds	<u>35,811</u>

Total Transfers Out 82,562

Other Requirements 16,026

Total General Fund Requirements \$440,669

Excess (Deficit) Use of Beginning Balance \$(10,296)

**Budgeted Reserve Requirements:**

Emergency Reserve	\$ 15,000
Contingency Reserve	<u>3,864</u>

Total Budgeted Reserve Requirements \$ 18,864

## **Deficit Budgeting**

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

## **Accounting System**

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

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

## **Short-Term Borrowing**

Pursuant to Section 1431 of the Government Code, the City has the authority to conduct short-term borrowings to provide for the payment of current expenses, through the issuance of anticipation notes. Such notes must mature before the first anniversary of the date the Attorney General approves the anticipation notes. The City has not issued short-term warrants and does not have plans to issue such warrants in the current fiscal year.

## **INVESTMENTS**

The City invests its available funds in investments authorized by Texas law and 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 Chapter 2256, Texas Government Code (The Public Funds Investment Act), the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (4) obligations of states, agencies, counties, cities, and 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, is eligible collateral for borrowing from a Federal Reserve Bank and is accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated; (6) commercial paper with a stated maturity of 270 days or less from the date of its issuance that either (a) is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or, (b) 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) fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by the City, and having a market value of no less than the principal amount of the funds disbursed (the term includes direct security repurchase agreements and reverse security repurchase agreements and the term of any reverse repurchase agreement may not exceed 90 days after the reverse security repurchase agreement is delivered; money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investment acquired must mature not later than the expiration date stated in the reverse security repurchase agreement); (8) certificates of deposit issued by state and national banks domiciled in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the City; (9) certificates of deposit issued by savings and loan associations domiciled in Texas that are (a) guaranteed or insured by the Federal Savings and Loan Insurance Corporation or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits of the City; (10) share certificates issued by a state or federal credit union domiciled in Texas that are (a) guaranteed or insured by the National Credit Union Share Insurance Fund or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits of the City; (11) SEC-regulated, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of



90 days or less and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share; (12) no-load mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days; the City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund described in clauses (11) or (12); (13) bonds issued, assumed, or guaranteed by the State of Israel; and (14) with respect to investment of bond proceeds, local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas; Government Act) as amended, whose assets consist exclusively of the obligations that are described by Section IV, A, 1-9 above. A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service. The City also may invest bond proceeds in a guaranteed investment contract.

State law strictly prohibits investment 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. In addition, the City is prohibited from investing any portion of bond proceeds, reserves and funds held for debt service in no-load mutual funds.

Investments in collateralized mortgage obligations are strictly prohibited by the City of Austin investment policy. These securities are also disallowed for collateral positions.

### **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 addresses the quality and capability of investment personnel. The policy includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to 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 beginning and 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 Director of Financial Services.

### **Additional Provisions**

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

## Current Investments

As of June 1, 2001, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U.S. Treasury Notes	16.7%
U.S. Treasury Bills	0.1%
U.S. Agencies	42.3%
Commercial Paper	0.0%
Repurchase Agreements	0.0%
Money Market Funds	22.1%
TexasTERM	4.2%
Local Government Investment Pools	14.5%

The dollar weighted average maturity for the combined City investment portfolios is 1.46 years. The City prices the portfolios daily utilizing a market pricing service.

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# GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE

	Fiscal Year Ended September 30				
	1996	1997	1998	1999	2000
<b>Revenues:</b>					
Taxes (1)	\$160,405,219	\$171,109,680	\$190,949,086	\$215,885,594	\$240,663,684
Franchise Fees	13,337,896	14,743,888	16,861,639	19,671,043	23,699,065
Fines, Forfeitures and Penalties	12,159,358	12,570,388	14,492,863	16,205,548	16,039,732
Licenses, Permits and Inspections	14,311,481	12,888,265	15,540,712	17,252,024	18,173,885
Charges for Services	8,174,721	9,427,193	10,260,908	11,533,686	11,757,818
Interest and Other	<u>6,015,253</u>	<u>5,586,512</u>	<u>13,076,017</u>	<u>6,361,863</u>	<u>9,410,372</u>
Total Revenues	\$214,403,928	\$226,325,926	\$261,181,225	\$286,909,758	\$319,744,556
<b>Expenditures:</b>					
Administration	\$ 6,299,068	\$ 6,596,487	\$ 6,696,560	\$ 7,849,862	\$ 8,976,071
Urban Growth Management	10,567,446	7,501,086	8,380,122	9,129,217	10,188,934
Public Safety	141,140,763	144,288,202	162,733,100	173,962,836	191,591,408
Public Services and Utilities	11,903,772	9,675,512	10,128,139	11,098,958	6,098,371
Public Health	43,647,282	43,189,920	37,060,371	40,677,762	41,032,031
Public Recreation and Culture	30,092,171	32,764,540	35,861,623	40,929,063	44,205,341
Social Services Management	7,285,563	6,738,940	8,204,845	8,627,050	9,387,107
Nondepartmental Expenditures	<u>31,836,942 (2)</u>	<u>39,823,069 (2)</u>	<u>41,130,459 (2)</u>	<u>49,142,610 (2)</u>	<u>53,458,609 (2)</u>
Total expenditures	\$282,773,007	\$290,577,756	\$310,195,219	\$341,417,358	\$364,937,872
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	\$ (68,369,079)	\$ (64,251,830)	\$ (49,013,994)	\$ (54,507,600)	\$ (45,193,316)
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	\$ 73,925,240	\$ 71,705,860	\$ 72,721,264	\$ 74,204,480	\$ 78,351,603
Transfers to Other Funds	<u>(5,932,110) (2)</u>	<u>(3,116,124) (2)</u>	<u>(9,846,866) (2)</u>	<u>(26,592,055) (2)</u>	<u>(31,293,582) (2)</u>
Net Other Financing Sources	\$ 67,993,130	\$ 68,589,736	\$ 62,874,398	\$ 47,612,425	\$ 47,058,021
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	\$ (375,949)	\$ 4,337,906	\$ 13,860,404	\$ (6,895,175)	\$ 1,864,705
Residual Equity Transfer In (Out)	0	0	0	0	250,594
Fund Balances at Beginning of Year, as Restated for Accounting Changes	<u>31,466,586</u>	<u>31,090,637</u>	<u>35,428,543</u>	<u>49,288,947</u>	<u>42,393,772</u>
Fund Balances at End of Year	\$ 31,090,637	\$ 35,428,543	\$ 49,288,947	\$ 42,393,772	\$ 44,509,071

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

(2) Nondepartmental expenditures were \$25,467,935, \$33,834,066, \$35,639,567, \$43,786,207 and \$49,549,210 in 1996, 1997, 1998, 1999 and 2000 respectively. These expenditures were reported as "transfers to other funds" in prior years.

## CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

### Municipal Sales Tax

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

<u>Fiscal Year</u> <u>Ended 9-30</u>	<u>Per Capita Sales and Use Tax</u>	<u>Sales and Use Tax</u>	<u>% of Ad Valorem Tax Levy</u>
1990	\$114.32	\$ 51,540,272	50.46%
1991	118.75	55,400,628	56.59%
1992	122.72	58,255,348	57.11%
1993	140.21	67,054,207	61.62%
1994	149.33	75,780,061	66.75%
1995	153.77	80,474,693	68.26%
1996	154.43	83,681,314	65.94%
1997	157.15	88,150,309	65.01%
1998	160.44	97,581,417	65.72%
1999	172.59	106,839,032	64.01%
2000	194.31	122,157,210	68.16%

### Transfers From Utility Funds

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

<u>Fiscal Year</u> <u>Ended 9-30</u>	<u>Transfers</u>	<u>% of General</u> <u>Fund Requirements</u>
1990	\$63,665,887	31.5%
1991	63,054,576	30.0%
1992	73,237,718	33.2%
1993	68,581,868	31.9%
1994	67,914,376	29.9%
1995	71,110,681	28.5%
1996	73,582,839	26.0%
1997	71,449,866	24.6%
1998	72,721,264	23.4%
1999	74,204,479	21.7%
2000	78,351,603	21.5%
2001 (1)	85,009,446	19.5%

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(1) Estimate.

## ENTERPRISE FUNDS

### Summary of Income, Expenses and Changes in Retained Earnings

The Enterprise Funds account for the activities of the City which render services on a user charge basis to the general public. Set forth on pages 79 and 80 of Appendix B hereto is a condensed summary of the revenues, expenses, transfers and retained earnings of the City's ten enterprise funds for the year ended September 30, 2000.

#### Electric Utility

The electric industry in Texas has experienced dramatic statutory and regulatory changes in the past several years which have had and will have significant impact on the Electric Utility and the other electric utilities in Texas. On February 7, 1996, the Public Utilities Commission of Texas ("PUC") adopted its transmission open access rules (the "PUC Open Access Rules") to implement legislation adopted in 1995 which required that all electric utilities that own transmission facilities to provide access to their transmission systems under rates, terms, and conditions comparable to the rates, terms and conditions by which the utilities use their transmission systems for their own sales. The PUC Open Access Rules treat the interconnected Electric Reliability Council of Texas ("ERCOT") transmission grid as a single, integrated system, and all load-serving utilities are responsible for paying a portion of the total costs of the grid. In return, all load-serving utilities have equal rights of access to the system and may use the system in the same manner as the transmission owners. Cost responsibility is based on the size of the load serving entities average 4CP load responsibility to the ERCOT total.

In the 1999 legislative session, Senate Bill 7 (SB 7) was enacted into law. SB 7 dramatically restructured the electric industry in Texas. SB 7 allows retail customers of investor owned utilities ("IOUs") to choose their electric supplier beginning January 1, 2002 as well as the retail customers of municipally owned utilities including the Electric Utilities ("Municipal Utilities") and electric cooperatives ("Electric Coops"), provided that such utilities elect to participate in retail competition.

Portions of SB 7 are described below. While certain of the summarized provisions of SB 7 do not apply directly to the Electric Utility, those provisions will effect the transition of the Texas electric industry into a market of retail electric competition.

*Provisions for Municipal Utilities and Electric Coops.* Municipal Utilities and Electric Coops are largely exempt from the requirements of SB 7. While IOUs will be subject to open competition on January 1, 2002, the governing bodies of Municipal Utilities and Electric Coops have the sole discretion to determine whether and when to open their service territories to retail competition. However, if a Municipal Utility or Electric Coop has not voted to open its territory, it will not be able to compete for retail customers at unregulated rates outside its traditional service territory. While IOUs must unbundle their generation from transmission and distribution and from retail sales activities, Municipal Utilities and Electric Coops retain the discretion to determine whether to unbundle those business activities.

Municipal Utilities and Electric Coops will also determine the rates for use of their distribution systems after they open their territories to competition, although the PUC will determine the terms and conditions for access to those systems.

SB 7 also permits Municipal Utilities and Electric Coops to recover their "stranded costs" from their customers if so determined by such entities. Unlike IOUs, the governing board of a Municipal Utility determines the amount of stranded costs to be recovered pursuant to rules and procedures established by such governing board. The stranded costs of Electric Coops is determined pursuant to the PUC Stranded Costs Report. Municipal Utilities and Electric Coops are also permitted to recover their respective stranded costs through the issuance of bonds in a similar fashion to the IOUs.

*Unbundling* SB 7 requires all IOUs and the Lower Colorado River Authority ("LCRA") to "unbundle" their generation, transmission and distribution, and retail energy service functions by September 1, 2000 and to further segregate these functions into separate companies by January 1, 2002. An IOU may choose to sell one or more of its lines of business to independent entities, or it may create separate but affiliated companies that may be owned by a common holding company, but which must operate largely independent of each other. The services offered by such separate entities must be available to other parties on a non-discriminatory basis. LCRA is required to separate its generation and transmission and distribution functions into separate companies or affiliates by January 1, 2002 but need not operate these affiliates independently from one another to the extent required of IOU affiliated companies.

Retail sales activities will be performed by new companies called "Retail Electric Providers" ("REPs") which are the only entities authorized to sell electricity to retail customers. REPs must register with the PUC, demonstrate financial capabilities, and comply with certain consumer protection requirements. They will buy electricity from Power Generation Companies, power marketers or other parties and may resell that electricity to retail customers at any location in the State. Transmission and Distribution Utilities will be obligated to deliver the electricity. Generating assets will be owned by "Power Generation Companies." Power Generation Companies must register with the PUC and must comply with certain rules that are intended to protect consumers,

but they will otherwise be unregulated and may sell electricity at market prices. Owners of transmission and/or distribution facilities will be "Transmission and Distribution Utilities" and will be fully regulated by the PUC. The PUC must approve the construction of new transmission facilities, and may order the construction of new facilities to relieve transmission constraints. Transmission and Distribution Utilities will be required to provide access to both their transmission and distribution systems on a non-discriminatory basis to all eligible customers.

*Measures to Foster Competition and Assure Service.* SB 7 also provides a number of consumer protection provisions. Every area of the State will have a "Provider of Last Resort" approved by the PUC, except for service areas of municipal utilities, which will establish a process to select the Provider of Last Resort. The Provider of Last Resort is a REP that must offer to sell electricity to any retail customer in its designated area at a standard rate approved by the PUC. The Provider of Last Resort must also serve any customer whose REP has failed to provide service.

Beginning September 1, 1999, each IOU's existing rates were frozen (except for a fuel factor passthrough) and are required to continue serving their retail customers at such rates until 2002. Beginning in 2002, the unbundled REP of the IOU that held the certificate to provide retail service to an area (the "Affiliated REP") must reduce electric rates by 6% below the frozen rates and offer that reduced rate to all retail customers in the area formerly served by the IOU. The Affiliated REP must serve all residential and commercial customers who do not choose a different REP at such reduced rate. The Affiliated REP may not sell electricity to residential or commercial customers (generally small businesses) at any other rate until either 40% of the residential or commercial customers in the area have chosen to be served by other REPs or until January 1, 2005, whichever occurs first. Although the Affiliated REP may thereafter compete by offering prices that differ from the reduced rate, it must continue to offer such rate until January 1, 2007, to assure a maximum price that consumers will have to pay. SB 7 does allow Affiliated REPs to compete for industrial customers, and for certain aggregated commercial loads owned by a common entity.

To prevent concentration of generation in a single Power Generation Company, SB 7 requires IOUs to hold periodic "Capacity Auctions," supervised by the PUC, in which they must sell 15% of their power to others. Affiliated REPs are not allowed to purchase power from a related Power Generation Company. The Capacity Auctions will end four years after retail competition begins. SB 7 also provides protection by limiting the amount of generation that any single Power Generation Company, or group of commonly owned Power Generation Companies may own, to 20% of the available generation within a "power region" which will be certified by the PUC. SB 7 requires any IOU (or affiliated Power Generation Company) that owns more than 20% of the installed electric generation within a power region to file a mitigation plan with the PUC by December 31, 2001 whereby (i) its excess generation plants will be sold at an independent sale, (ii) its excess generation capacity will be auctioned off to an independent party in a Capacity Auction, (iii) selling of its excess capacity for at least a four year period to an independent party, or (iv) some other reasonable mitigation method.

SB 7 provides for a transmission system operator that would be independent of market participants and which will be responsible for directing and controlling the operation of the transmission network within ERCOT.

*Stranded Cost Recovery.* Under SB 7, IOUs may recover a portion of their "stranded costs" (the net book value of certain "non-economic" assets less market value and certain "above market" purchased-power costs) and "regulatory assets," which recovery is intended to permit recovery of the difference between the amount necessary to pay for the assets required under prior electric regulation and the amount that can be collected through market based rates in the open competition market. Such stranded costs are based, in large measure, on the amount of stranded costs associated with the respective IOUs determined in the PUC's April 1998 Potentially Strandable Investment (ECOM Report: 1998 Update (the "PUC Stranded Cost Report"). SB 7 establishes the procedure to determine the amount of stranded costs and regulatory assets. Once determined, the stranded costs will be collected through a non-bypassable competition transition charge collected from the end retail electric users, within the IOU's service territory as it existed on May 1, 1999, through, primarily, an additional component to the rate for the use of the retail electric distribution system delivering electricity to such end user.

IOUs may recover a certain portion of their respective stranded costs through the issuance of bonds, with a maturity not to exceed 15 years, whereby the principal, interest and reasonable costs of issuing, servicing and refinancing such bonds is secured by a qualified rate order of the PUC that creates the "competition transition charge." Neither the State nor the PUC may amend the qualified rate order in any manner that would impair the rights of the "securitized" bondholders.

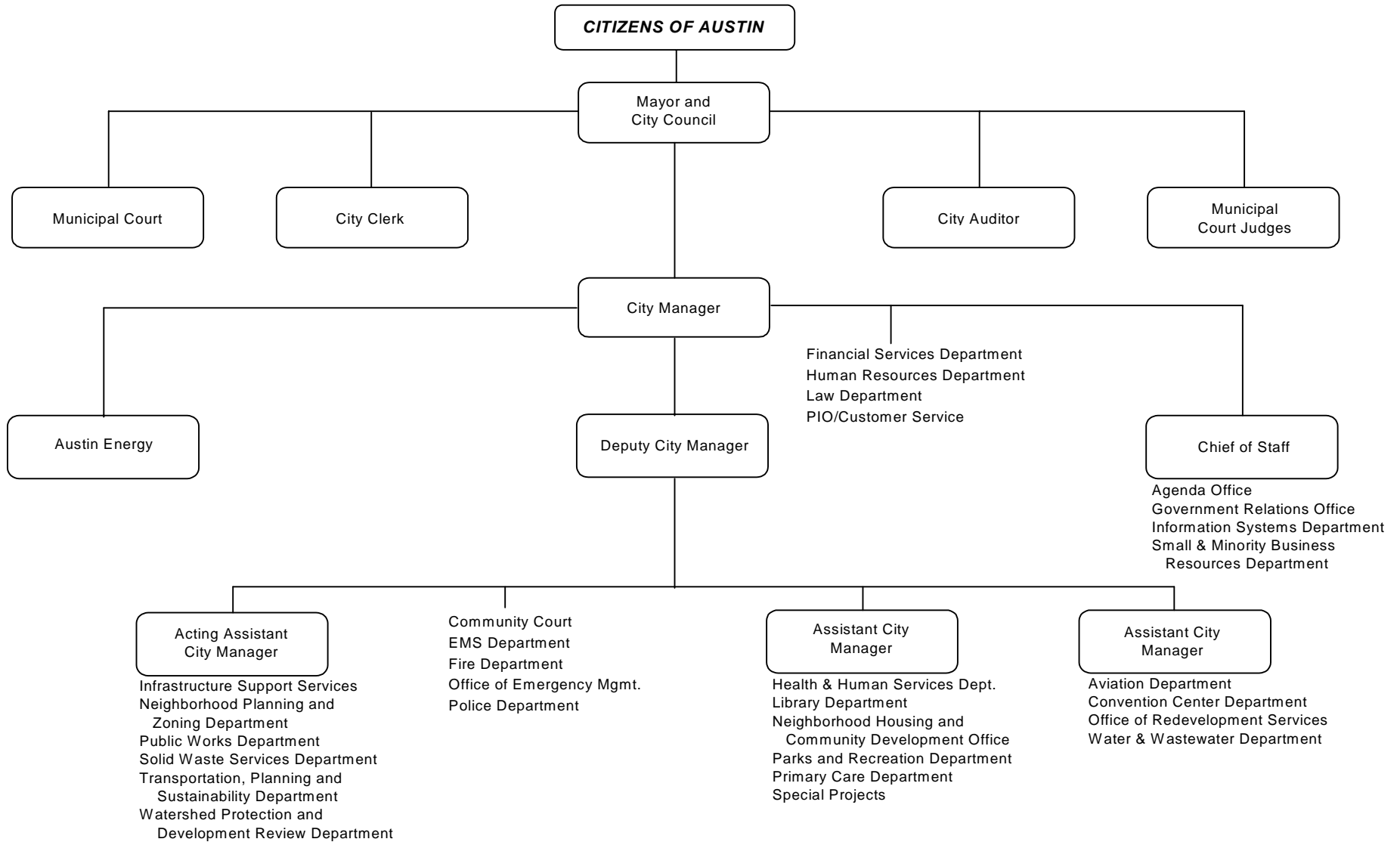
*Miscellaneous Provisions.* SB 7 requires all old "grandfathered" power plants – plants that have not previously been required to comply with air quality emissions standards administered by the Texas Natural Resources Conservation Commission – that are owned by IOUs, LCRA, Municipal Utilities and Electric Coops to be brought into compliance with the air quality emissions standards by May 2003. A strong Independent System Operator (ISO) was established to manage the transmission system and coordinate many of the ERCOT operational requirements for a deregulated retail market. In addition, SB 7 established a pilot program to begin June 1, 2001, for 5% of the customers of the IOUs in an effort to test the readiness of ERCOT and the ISO for a deregulated retail market.

The City is monitoring and actively participating in, when necessary, the various rulemaking proceedings that are taking place at the PUC to implement SB 7. Further, the City is also participating in various committees that have been formed at ERCOT to align the operations of ERCOT and member utility systems with the requirements of SB 7. As of the date of this Official Statement, the City has not determined whether or when to open its service territory to retail competition. The City reserves the right to make such a determination in the future.

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# CITY OF AUSTIN, TEXAS

## Organization Chart





## **THE CITY**

### **Administration**

Incorporated in 1839, the City operates under a Council-Manager form of government under its Charter. The City Council is comprised of a Mayor and six council members elected at-large for three year staggered terms.

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. Jesus Garza was appointed City Manager on June 22, 1994.

### **City Manager – Jesus Garza**

Mr. Garza received his Masters in Public Affairs from the Lyndon Baines Johnson School of Public Affairs of the University of Texas and a Bachelor of Science degree from the University of Texas at Austin. Mr. Garza served as Acting City Manager and Assistant City Manager for the City of Austin prior to his appointment as City Manager. He previously held positions as Executive Director of the Texas Water Commission and Deputy City Manager of the City of Corpus Christi.

### **Director of Financial Services – John Stephens, CPA**

Mr. Stephens received his B.A. and M.A. in Spanish from University of Texas at Arlington, and M.A. in linguistics from University of Michigan – Ann Arbor. He taught Spanish and English as a Second Language for approximately ten years before receiving a M.B.A. from University of Texas – Austin in 1983. Mr. Stephens served as Auditor, Senior Staff Accountant and Controller prior to his appointment as Director of Financial Services.

### **Services Provided by the City**

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including an electric utility system, water and wastewater utility system, an airport and two public event facilities. In addition, the City owns a hospital which is operated by The Daughters of Charity Health Services of Austin under the terms of a long term lease.

### **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 not approved collective bargaining for either firemen or policemen. Approximately 15% of the City's employees are members of the American Federation of State, County and Municipal Employees, 8% are members of the American Police Association and 7% are members of the International Association of Fire Fighters.

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

### **Annexation Program**

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

If the annexation service plan for an annexation area includes a schedule for the provision of full municipal services, the City has two and one-half years from the date of the annexation to substantially complete the capital improvements necessary to provide services to the area. However, if necessary, the City may propose a longer schedule. A wide range of services – police and fire protection, sanitation, and maintenance of public facilities such as water and wastewater facilities, road, streets, and parks – must be provided immediately following annexation. Failure to provide municipal services in accordance with the service plan may

provide grounds for disannexation of the area and may also result in a refund of taxes and fees collected for services not provided. The City may not reannex for ten years any area that was disannexed for failure to provide services.

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 (see “Services Financed by Utility Districts”). Existing utility districts, as well as those 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 the net revenues, if any, derived from the operation of its water and sanitary sewer systems. Texas law generally requires that districts be annexed in their entirety. Upon dissolution, the City assumes the district’s outstanding bonds and other obligations and levies and collects on taxable property within the corporate limits of the City ad valorem taxes sufficient to pay principal of and interest on such assumed bonds.

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

The City Charter and the State’s annexation laws provide for two types of annexation. “Full purpose” annexation, discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as “limited purpose” annexation by which territory may be annexed for the limited purposes of “Planning and Zoning” and “Health and Safety.” Territory so annexed is subject to ordinances achieving these purposes: chiefly, the City’s zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for limited purposes; municipal services are not provided; and residents of the area are restricted to voting only in City elections for City Council and Charter amendments. The City believes that limited purpose annexation is a valuable growth management tool. As noted below, the City annexed over 20,000 acres of territory for limited purposes in 1984 and has developed annual Strategic Annexation Programs since 1987. These programs prioritized areas to be considered for annexation at the end of the calendar year, thereby minimizing the fiscal impact to the City due to annexation.

The following table sets forth (in acres) the annual results of the City of Austin annexations since 1991. Negative numbers reflect disannexations in excess of acreage annexed. The data presented in the table for limited purpose acres has been adjusted. Previously, total limited purpose acres annexed annually were reduced by the number of acres converted from limited to full purpose status. This decrease in the total annual limited purpose acres annexed has been eliminated, along with the net annexation column.

<u>Calendar Year</u>	<u>Full Purpose Acres (1)</u>	<u>Limited Purpose Acres</u>
1991	2,380	44
1992	960	0
1993	2,795	0
1994	3,057	0
1995	(1,748)	2,770
1996	3,163	0
1997	15,083	0
1998	2,660	1,698
1999	90	588
2000	4,057	4,184

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

Legislative action required the City to convert the Harris Branch and Moore’s Crossing MUDs from full purpose to limited purpose status in 1995. The full purpose reannexation of the Harris Branch MUDs in 1998 is reflected in the table above.

### **Recent Annexation**

Annexations completed in 2000 included several undeveloped tracts and right of ways, the Davenport West area, adjacent to a previously annexed municipal utility district, and the Eubank Acres area in north central Austin. These areas added approximately \$93 million in taxable assessed value and a population of 1,600 to the City of Austin. The Avery Ranch area was annexed for limited purposes in 1999.

Austin MUDs 1, 2, and 3, also known as the Harris Branch MUDs, were converted from limited purpose jurisdiction and reannexed by the City for full purposes in December 1998. This annexation added \$50.4 million in taxable assessed value and a population of 1,575 to the City of Austin.

Ten municipal utility districts (MUDs) were annexed by the City of Austin in December 1997, adding over \$1.034 billion in taxable assessed value and a population of 22,432 to the City. These MUD annexations were a part of the 1997 annexation plan, which added a total of over \$1.691 billion in taxable assessed value and a population of 29,131 to the City of Austin. Some of the recently annexed areas continue to experience growth along with increased taxable assessed value.

Litigation related to some of the areas annexed in 1997 was settled in 2000. Portions of the Circle C MUDs were included in a Water Quality Protection Zone (WQPZ) which was created just prior to annexation. The Texas Supreme Court has overturned the law under which the WQPZ was created. The Circle C MUDs were also included in the Southwest Travis County Water District (SWTCWD) pursuant to a statute passed by the Legislature in 1995. This statute was overturned by an appeals court. An appeal of that decision to the Texas Supreme Court was withdrawn. Pursuant to settlement agreements with certain developers and residents in the Circle C MUDs, remaining challenges to the annexation of the Circle C MUDs have been withdrawn. Consequently, there are no longer any challenges to the 1997 annexations of the Circle C MUDs.

### **Future Annexation**

In the next few years a number of areas previously annexed for limited purposes will be converted to full purpose status. Areas covered by strategic partnership agreements will also be annexed and areas included in the City's Municipal Annexation Plan will be annexed. The most significant of these identified future annexation areas are shown below:

- Avery Ranch – limited purpose area with continuing conversions began in December 2000
- Del Valle – limited purpose area with conversion in September 2001
- Springwoods MUD and adjacent areas – annexation in December 2002 (includes assumption of debt for drainage improvements and completion/maintenance of drainage projects)
- Canterbury Trails Annexation Area – December 2002
- Motorola Campus – limited purpose area with conversion in September 2003 (a portion of this area may be converted as soon as September 2001)
- Onion Creek Annexation Area – December 2003
- Anderson Mill MUD and adjacent areas – September 2004

### **Pension Plans**

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

The Police Officers contribute 9.0% and the City contributes 18% of payroll. The Municipal employees and the City each contribute 8.0%. The Firefighters (who are not members of the Social Security System) contribute 11.7% of payroll, the City contributes 20.05%.

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability of the Police Officer's Fund and Firefighter's Fund over 8.5 years and 10.6 years, respectively. The Municipal Employees Fund is fully funded.

In accordance with the Governmental Accounting Standards Board Statement Number 5, the pension benefit obligation for the Municipal Employees Fund as of December 31, 1999, was \$1,044,500,000. The pension benefit obligation for the Police Officers' Fund as of December 31, 1999, was \$257,850,000. The pension benefit obligation for the Firefighters' Pension Fund as of December 31, 1999, was \$317,223,000. See Note 9 to the City's Financial Statements for additional information on the Pension Plans.

In addition to providing pension benefits, the City provides certain health care and insurance benefits to its retirees. Any retiree who is eligible to receive retirement benefits under any of the City's three pension plans is eligible for these benefits. Post retirement benefits include health insurance and \$1,000 of life insurance for the retired employee only. The City pays either all or a portion of the retiree's health insurance premiums, depending upon the health care plan selected. Retirees may also receive health insurance benefits for dependents eligible under the plan at their own cost.

The City recognizes the cost of providing these benefits to employees and retirees by expensing the City contributions to the Health Benefits Fund in the year in which the contributions are made. Total contributions were \$31,479,028 in 2000 and \$27,394,366 in 1999. The cost for providing those benefits for 2,050 retirees and 9,320 active employees in 2000 and 1,930 retirees and 9,020 active employees in 1999 is not separable.

## **Insurance**

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$12 million for claims and damages at the end of fiscal year 2000. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the respective 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 material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

*Annual Reports* – The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all the quantitative financial information and operating data with respect to the City of the general type included (i) in the portions of the financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year end and (ii) in the main text of the Official Statement under the subcaptions: “Tax Valuation” with respect to the appraised value as of January 1 during the fiscal year as to which such annual report relates, “Valuation and Funded Debt History,” “Tax Rates, Levy and Collection History,” “Ten Largest Taxpayers,” “Property Tax Rate Distribution,” “Current Investments,” “General Fund Revenues and Expenditures and Changes in Fund Balance,” “Municipal Sales Tax,” and “Transfers From Utility Funds”. The City will update and provide this information as of the end of such fiscal year or for the twelve month period then ended within six months after the end of each fiscal year ending in or after 2001 unless otherwise noted above. The City will provide the update information to each nationally recognized municipal securities information repository (“NRMSIR”) and to any state information depository (“SID”) that is designated by the State of Texas and approved by the United States Securities and Exchange Commission (the “SEC”).

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2–12. The update information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the City will provide unaudited financial statements by that time and will provide audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change.

*Material Event Notice* – The City will also provide timely notices of certain events relating to the Bonds to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasance; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes with respect to the Bonds. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports”. The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board (“MSRB”).

*Availability of Information from NRMSIRs and SID* – The City has agreed to provide the foregoing information to NRMSIRs and any SID only. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID. The address of the Municipal Advisory Council of Texas is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768–2177, and its telephone number is (512) 476–6947.

*Limitations and Amendments* – The City has agreed to update information and to provide notices of material 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.

The City may amend its continuing disclosure agreement 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 the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the City amends its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data will be provided.

*Compliance with Prior Undertakings* – The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2–12.

## **OTHER RELEVANT INFORMATION**

### **Ratings**

The Bonds have received ratings of “AA+” by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies (“S&P”), “AA+” by Fitch, Inc. (“Fitch”) and “Aa2” by Moody’s Investors Service, Inc. (“Moody’s”). The presently outstanding tax supported debt of the City is rated “Aa2” by Moody’s, “AA+” by S&P and “AA+” by 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 of the Bonds. The City will undertake no responsibility to notify the owners of the Bonds of any such revisions or withdrawal of ratings.

### **Tax Exemption**

**Opinion.** On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C - Form of Bond Counsel’s opinion.

In rendering their opinion, Bond Counsel will rely upon (a) the City’s federal tax certificate (b) the verification report of The Arbitrage Group, Inc., (see “Verification of Maintenance Calculations”, below) and (c) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Bond Counsel have based their opinion is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of existing law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**Federal Income Tax Accounting Treatment of Original Issue Discount.** The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

**Collateral Federal Income Tax Consequences.** The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**Tax-Exempt Status of Bonds.** Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, as hereinabove described, the tax-exempt status of the Bonds could be affected by future events. The City has covenanted in the Bond Ordinance that it will not take any action that would cause the interest on the Bonds to become taxable. However, future events beyond the control of the City as well as the failure to observe such covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance. It is also possible that after the Bonds are issued, legislation adopted by the United States congress or subsequent judicial and administrative interpretation by the courts or the Department of the Treasury could adversely affect the status of tax-exempt obligations such as the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions as of the date of the opinion and the representations of the city that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of any series of the bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**State, Local and Foreign Taxes.** Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Litigation**

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

### **Registration and Qualification of Bonds**

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

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

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

### **Verification of Mathematical Calculations**

The Arbitrage Group, Inc. (the "Verification Agent"), a firm of independent certified public accountants, upon delivery of the Bonds, will deliver to the City its report indicating that they have examined the mathematical accuracy of computations prepared by the Financial Advisor relating to (a) the sufficiency of the anticipated receipts from the Federal Securities and on the Bonds and (b) language regarding yields.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their 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 their opinion with respect to the exclusion of interest on the Bonds for federal income tax purposes and with respect to the defeasance of the Refunded Bonds.

### **Legal Opinions and No-Litigation Certificate**

The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Bonds including the unqualified approving legal opinions of the Attorney General of the State of Texas approving the Initial Bond, and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions 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 under Section 103(a) of the Code, subject to the matters described under "Tax Exemption" herein, including the alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds and Certificates. In connection with the transactions described in this Official Statement, Bond Counsel represents only the City. Certain additional legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P.

### **Financial Advisor**

Public Financial Management, Austin, Texas is employed as Financial Advisor to the City in connection with the issuance, sale and delivery 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. Public Financial Management, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

### **Underwriting**

The Underwriters have jointly and severally agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the City at an Underwriters' discount of \$555,328 from the initial offering price to the public. 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 the public offering prices set forth on the cover hereof, and such public prices may be changed, from time to time, by the Underwriters.

### **Authenticity of Financial Data and Other Information**

The financial data and other information contained herein 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 herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.



This Official Statement, and the execution and delivery of this Official Statement was authorized by the Bond Ordinance adopted by the City Council on June 14, 2001.

/S/ Kirk Watson  
Mayor  
City of Austin, Texas

ATTEST:

/S/ Shirley A. Brown  
City Clerk  
City of Austin, Texas

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY AND ITS ECONOMY

The following information has been presented for informational purposes only.

#### Life in Austin

Austin is a unique city known for its beauty, its dynamic style, and its diverse community. Located in the heart of the Texas Hill Country, the Austin area is blessed with panoramic views, an abundance of rivers and lakes, and a climate that is conducive to outdoor activity.

Austin is a great place to enjoy the outdoors. With Austin's winter temperatures rarely dipping below freezing and often reaching into the 70's and 80's and with long summers, the city, county, and state parks and recreation facilities are busy year-round.

#### Austin Weather

Mean temperature	69
Mean low temperature	58
Mean high temperature	78
Clear days	116
Average rainfall	32"
Average days of sunshine	300

Austin's Parks and Recreation Department (PARC) is acknowledged as one of the finest in the country. For the second consecutive year PARC was a finalist for the national Gold Medal Award given by the National Recreation and Park Association. PARC administers a number of public outdoor recreational facilities, including numerous neighborhood parks, greenbelts, athletic fields, golf courses, tennis courts, a veloway for bicyclists and in-line skaters, miles of hike and bike trails and striped bike lanes, a youth entertainment complex and swimming pools, including renowned Barton Springs, where as many as 300,000 people a year enjoy its constant 68 degree spring-fed water.

Austin is home to a number of outdoor events and festivals, including various art, music, food and wine festivals, races and bicycle rides and nightly flights of the world's largest urban bat colony. A favorite holiday event is the Trail of Lights, a festive, mile-long display of lighted scenes of the holiday season, with over 200,000 visitors in two weeks.

In addition to outdoor recreational opportunities, Austinites can choose from a wide variety of indoor recreational activities. Long recognized as the "live music capital of the world", Austin boasts more than 100 live music venues and is home to the annual South by Southwest (SXSW) music and film festivals. Austin also has a number of museums, art galleries, a new opera facility and a wide variety of restaurants and clubs, especially in the popular Sixth Street and Warehouse District areas.

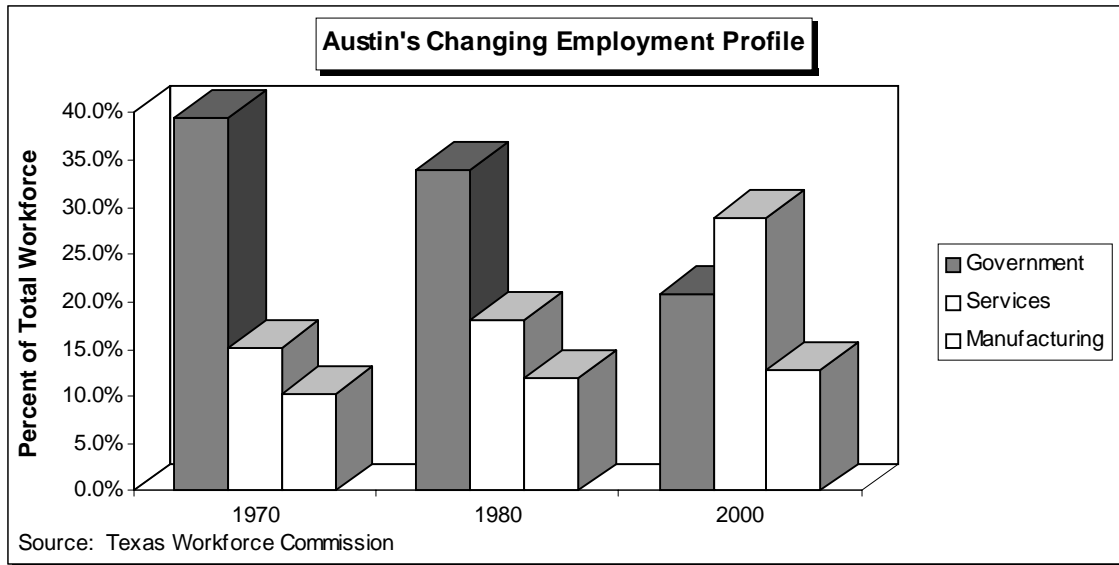
With its seven institutions of higher learning and 90,000 students, education is a significant aspect of life in the Austin area. Access to these institutions, especially the University of Texas at Austin (UT), has attracted many of the high-technology industries that now drive most of the growth in the City's economy. The largest public University in the nation, UT is known as a world-class center of education and research.

Among U.S. cities with a population over 250,000, Austin is one of the most highly educated cities, with 30% of its adults having a college degree and over 88% workforce having some college education. The city may also have the most computer-literate populace in the country. *Yahoo Magazine* rated Austin as one of the top five most wired cities in the nation. *MONEY* magazine selected Austin as one of the "Best Places to Live" in the country.

#### Industry and Business

In 2000, the Austin metropolitan area continued to receive national recognition for its dynamic economy and its quality of life. *Forbes* magazine names Austin the best place to do business and advance your career. *Sales and Marketing Management* magazine named Austin as "One of the Best Places to do Business Next Year".

As the capital of Texas and the home of the University of Texas, Austin has long been considered a government and university town. However, Austin is also one of the premier high-tech communities in the country. Approximately 200 companies in Austin employ people in producing computers or computer peripherals. These companies and various other professional service and low-tech firms make up a key segment of Austin's growing employment base. While government employment is still a stabilizing force in the Austin economy, it now accounts for a much lower percentage of the make-up of Austin's total employment. As the comparison below shows, since 1970, government employment has decreased substantially relative to the other large employment sectors in the Austin area.



The outlook for Austin's high-technology industry remains promising and the City's ability to attract new businesses and individuals remains strong, as Austin is a unique place that offers an abundance of recreational and cultural activities and excellent municipal services. The area's large university student population, primarily at the University of Texas, helps to keep the City intellectually active and provides a valuable resource to companies locating to the area.

With all the features Austin has to offer, the City enjoys a strong tourism industry, which has a significant impact on the Austin economy. There are more than 13,000 hotel rooms available in the Austin area, and Austin hotels experienced a 76% occupancy rate, up 6% from 1999. The City's existing convention and meeting facilities include the Austin Convention Center, whose expanded facility will open in 2002, Palmer Auditorium and City Coliseum. Other facilities available in Austin include the Erwin Center at the University of Texas and the Texas Exposition and Heritage Center.

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## Employment by Industry in the Austin Metropolitan Area (a)

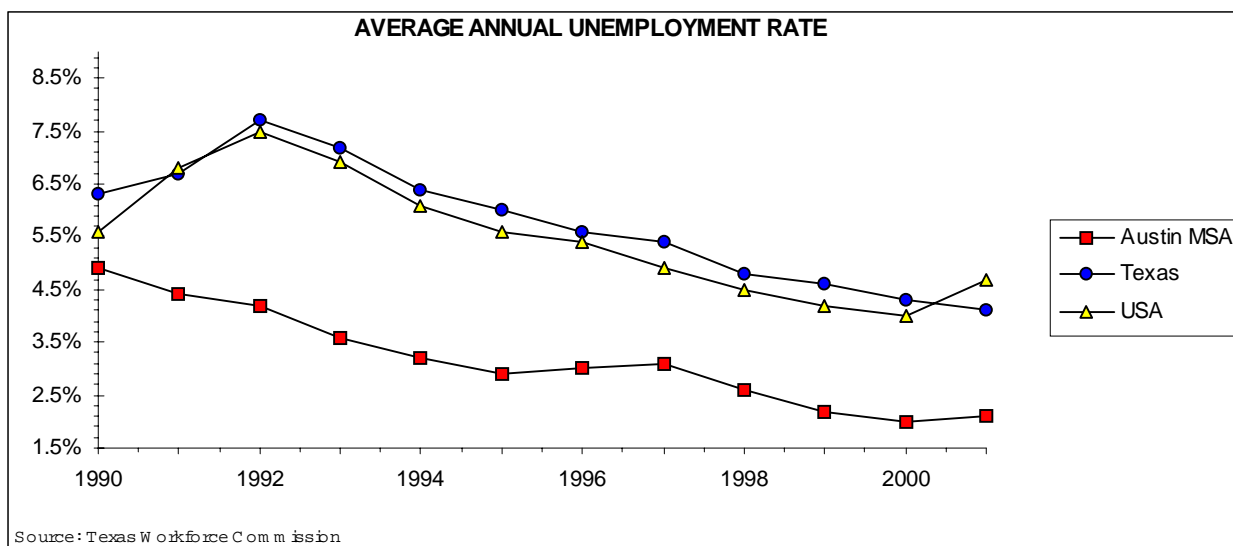
### Employment Characteristics

<u>Industrial Classification</u>	<u>1970</u>	<u>% of</u>	<u>1998</u>	<u>% of</u>	<u>1999</u>	<u>% of</u>	<u>2000</u>	<u>% of</u>	<u>4 Months Ending</u>	<u>% of</u>
		<u>Total</u>		<u>Total</u>		<u>Total</u>		<u>Total</u>	<u>January 31, 2001</u>	<u>Total</u>
Manufacturing	13,300	10.3%	81,871	13.8%	78,779	12.9%	84,662	12.9%	87,200	12.8%
Government	51,150	39.5%	130,036	21.9%	131,592	21.6%	137,171	20.9%	136,300	20.1%
Trade	26,100	20.2%	128,552	21.6%	137,251	22.5%	150,231	22.9%	153,800	22.7%
Services and Miscellaneous	19,600	15.1%	168,985	28.4%	175,210	28.7%	190,048	28.9%	206,100	30.4%
Finance, Insurance and Real Estate	6,150	4.7%	30,587	5.1%	31,357	5.1%	32,031	4.9%	32,800	4.8%
Contract Construction	8,750	6.8%	33,758	5.7%	35,069	5.8%	39,134	6.0%	38,700	5.7%
Transportation, Communications & Utilities	4,000	3.1%	19,451	3.3%	19,775	3.2%	21,540	3.3%	22,300	3.3%
Mining	<u>450</u>	<u>0.3%</u>	<u>1,308</u>	<u>0.2%</u>	<u>1,221</u>	<u>0.2%</u>	<u>1,353</u>	<u>0.2%</u>	<u>1,600</u>	<u>0.2%</u>
Total	<u>129,500</u>	<u>100.0%</u>	<u>594,548</u>	<u>100.0%</u>	<u>610,254</u>	<u>100.0%</u>	<u>656,170</u>	<u>100.0%</u>	<u>678,800</u>	<u>100.0%</u>

(a) Austin MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically, data contained herein is latest provided. Numbers for 2000 are an estimate based on Texas Workforce Commission, Bureau of Labor Statistics and U.S. Department of Labor data as of March 31, 2000.

Source: 2000 Comprehensive Annual Financial Report, Texas Workforce Commission.

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### Average Annual Unemployment Rate

	<u>Austin MSA</u>	<u>Texas</u>	<u>U.S.</u>
1990	4.9%	6.3%	5.6%
1991	4.4%	6.7%	6.8%
1992	4.2%	7.7%	7.5%
1993	3.6%	7.2%	6.9%
1994	3.2%	6.4%	6.1%
1995	2.9%	6.0%	5.6%
1996	3.0%	5.6%	5.4%
1997	3.1%	5.4%	4.9%
1998	2.6%	4.8%	4.5%
1999	2.2%	4.6%	4.2%
2000	2.0%	4.3%	4.0%
2001 (January)	2.1%	4.1%	4.7%

Note: Information is updated periodically, data contained herein is latest provided.  
Source: 2000 Comprehensive Annual Financial Report, Texas Workforce Commission.

### City Sales Tax Collections (In Millions)

<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>
1-1-97	\$ 5.421	1-1-98	\$ 6.399	1-1-99	\$ 7.335	1-1-00	\$ 8.790	1-1-01	\$ 8.964
2-1-97	10.626	2-1-98	10.708	2-1-99	12.155	2-1-00	12.316	2-1-01	13.362
3-1-97	5.734	3-1-98	6.641	3-1-99	7.318	3-1-00	8.799	3-1-01	8.791
4-1-97	5.848	4-1-98	6.780	4-1-99	7.252	4-1-00	8.119		
5-1-97	7.861	5-1-98	9.155	5-1-99	10.027	5-1-00	11.234		
6-1-97	6.446	6-1-98	7.367	6-1-99	7.900	6-1-00	9.091		
7-1-97	6.013	7-1-98	7.056	7-1-99	7.632	7-1-00	9.314		
8-1-97	8.541	8-1-98	9.587	8-1-99	10.611	8-1-00	11.313		
9-1-97	6.569	9-1-98	7.251	9-1-99	7.916	9-1-00	8.718		
10-1-97	6.967	10-1-98	7.277	10-1-99	7.855	10-1-00	9.356		
11-1-97	8.477	11-1-98	8.623	11-1-99	9.676	11-1-00	11.423		
12-1-97	6.770	12-1-98	7.417	12-1-99	9.239	12-1-00	9.346		

Source: State of Texas Comptroller's Office.

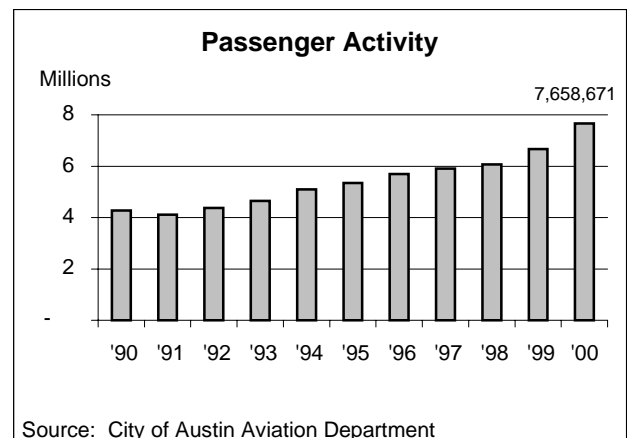
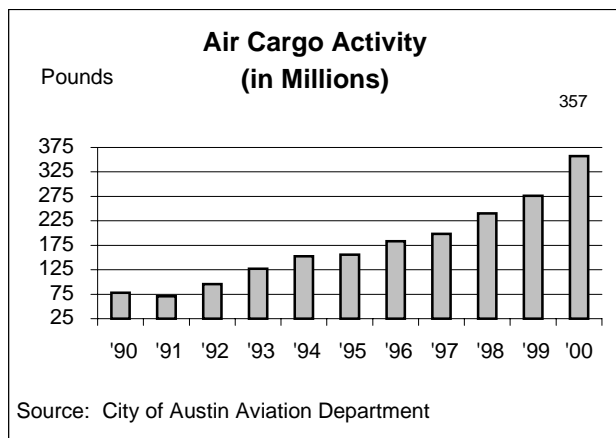
## Ten Largest Employers (As of September 30, 2000)

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Dell Computer Corporation	Computers	20,800
The University of Texas at Austin	Education and Research	20,277
City of Austin	City Government	10,566
Motorola, Inc.	Electronic Components	10,500
Austin Independent School District	Education	9,417
HEB Grocery	Grocery/Pharmacy	7,500
Seton Medical Center	Hospital	6,756
IBM Corporation	Office Machines	6,500
Internal Revenue Service	Federal Agency	5,800
Advanced Micro Devices	Computers	4,600

Source: 2000 Comprehensive Annual Financial Report.

## Transportation

### Austin-Bergstrom International Airport



Prior to May 23, 1999 all passenger activity was out of Robert Mueller Municipal Airport.

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

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

Austin's Austin-Bergstrom International Airport, which opened for passenger service on May 23, 1999, is served by 9 major airlines: American, America-West, Continental, Delta, Northwest, Southwest, TWA, United and Vanguard. In addition, Austin Express serves Austin as a commuter airline. Direct service is available to major U.S. destinations.

## Growth Indicators

Austin has experienced considerable growth as evidenced by the following utility connection, building permit and population statistics.

## Population

Year	Austin (1)		Travis County (1)		Texas (2)		United States (2)	
	Population	% Change	Population	% Change	Population	% Change	Population	% Change
1950	132,459	50.6%	160,980	45.0%	7,711,194	20.2%	151,326,000	14.5%
1960	186,545	40.8%	212,136	31.8%	9,579,677	24.2%	179,323,000	18.5%
1970	253,539	35.9%	295,516	39.3%	11,198,655	16.9%	203,302,000	13.4%
1980	345,496	36.3%	419,573	42.0%	14,228,383	27.1%	222,100,000	9.3%
1985	406,584	17.7%	527,120	25.6%	16,370,000	15.1%	238,740,000	7.5%
1986	431,851	6.2%	551,101	4.6%	16,685,000	1.9%	241,078,000	1.0%
1987	444,684	3.0%	563,787	2.3%	16,790,000	0.6%	243,249,000	0.9%
1988	447,582	0.7%	569,700	1.1%	16,841,000	0.3%	247,031,000	1.6%
1989	450,107	0.6%	573,805	0.7%	17,451,000	3.6%	247,732,000	0.3%
1990	450,830	0.2%	576,407	0.5%	16,986,510	-2.7%	249,632,692	0.8%
1991	466,530	3.5%	585,731	1.6%	17,349,000	2.1%	252,177,000	1.0%
1992	474,715	1.8%	594,560	1.5%	17,615,745	1.5%	255,020,000	1.1%
1993	478,254	0.8%	600,427	1.0%	17,805,566	1.1%	257,592,000	1.0%
1994	507,468	6.1%	636,991	6.1%	18,291,000	2.7%	261,212,000	1.4%
1995	523,352	3.1%	656,979	3.1%	18,724,000	2.4%	262,755,000	0.6%
1996	541,889	3.5%	681,654	3.8%	19,128,000	2.2%	265,410,000	1.0%
1997	560,939	3.5%	703,717	3.2%	19,439,337	1.6%	267,792,000	0.9%
1998	608,214	8.4%	725,669	3.1%	19,759,614	1.7%	271,685,044	1.5%
1999	619,038	1.8%	744,857	2.6%	20,044,141	1.4%	272,690,813	0.4%
2000	628,667	1.6%	749,426	0.6%	20,044,141	0.0%	272,690,813	0.0%

(1) All years are estimates from the City's Department of Development and Review based on full purpose area as of December 31. Census years are modified to conform to U.S. Bureau of the Census data. Estimates for 1985 were revised in 1990 based on 1990 Census.

(2) U.S. Bureau of the Census official estimates as of July 31, except for census years; 2000 data available April 2001.

## Connections and Permits

Year	Utility Connections			Building Permits		
	Electric	Water	Gas	Taxable	Federal, State and Municipal	Total
1990	275,840	137,936	111,114	\$ 309,999,799	\$48,312,493	\$ 358,312,292
1991	281,926	142,721	131,713	327,777,503	33,619,419	361,396,922
1992	286,413	141,210	139,529	435,053,697	5,162,800	440,216,497
1993	291,896	146,396	143,088	607,717,144	70,976,449	678,693,593
1994	298,662	148,148	142,373	840,043,119	19,643,501	859,686,620
1995	306,670	149,867	147,023	870,446,315	11,087,831	881,534,146
1996	319,518	151,757	148,124	1,246,232,619	89,945,847	1,336,178,466
1997	326,816	156,397	156,752	1,023,114,762	2,574,539	1,025,689,301
1998	342,263	168,907	165,274	1,434,660,615	46,722,845	1,481,383,460
1999	348,721	173,038	173,150	1,501,435,229	54,399,189	1,555,834,418
2000	344,134	176,096	172,063	1,797,039,075	34,334,286	1,831,373,361

Source: 2000 Comprehensive Annual Financial Report.

## Wealth and Income Indicators

The Austin MSA compares favorably with both the state and the nation in per capita effective buying income (EBI), and per capita retail sales.

## Effective Buying Income and Retail Sales

Area	Median	Per Capita EBI	% of Households by EBI Group*				Per Capita Retail Sales
	Household EBI		A	B	C	D	
City of Austin	\$36,321	\$20,790	26.7%	21.6%	16.3%	35.4%	\$17,601
Austin MSA	39,807	20,239	24.1%	20.2%	16.2%	39.5%	12,404
Texas	35,942	17,121	27.8%	21.1%	16.3%	34.8%	9,510
USA	37,233	17,691	25.8%	21.3%	17.5%	35.4%	9,856

\*Group A \$0 - \$19,999

\*Group B \$20,000 - 34,999

\*Group C \$35,000 - 49,999

\*Group D \$50,000 and over

Source: 2000 Survey of Buying Power, Sales and Marketing Management.

## Housing Units

The average rental rate for a 1,000 square foot apartment in the Austin MSA was \$980 per month during the calendar year 2000, with an occupancy rate of 97.5% in December 2000.

## Residential Sales Data

Year	Number of Sales	Total Volume	Average Price
1990	7,159	\$ 627,287,229	\$ 87,622
1991	7,581	711,123,662	93,803
1992	8,503	887,249,588	104,345
1993	9,926	1,139,100,456	114,759
1994	10,571	1,272,585,426	120,385
1995	11,459	1,439,915,043	125,658
1996	12,597	1,672,441,903	132,765
1997	12,439	1,762,198,574	141,667
1998	15,583	2,334,200,698	149,791
1999	18,135	2,963,915,274	163,436
2000	17,520	3,403,215,591	194,247

Note: Information is updated periodically, data contained herein is latest provided.

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

## City-Wide Austin Office Occupancy Rate

Year	Occupancy Rate
1990	75.5%
1991	78.9%
1992	82.6%
1993	86.3%
1994	87.9%
1995	88.4%
1996	92.2%
1997	94.7%
1998	93.4%
1999	92.8%
2000	94.5%

Source: Colliers Oxford Commercial Research Services and Trammell Crow Company.



## Education

The Austin Independent School District had an enrollment of 77,658 for the Fall of 2000. This reflects an increase of 1.82% in enrollment from the Spring of 2000. The District includes 102 campus buildings.

<u>School Year</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>
1989/90	63,887	60,835
1990/91	65,952	62,632
1991/92	67,063	63,267
1992/93	68,712	63,817
1993/94	70,665	66,086
1994/95	72,298	67,706
1995/96	73,795	68,953
1996/97	74,315	70,361
1997/98	75,693	71,241
1998/99	75,915	71,491
1999/00	76,268	71,583
2000/01 (2 <sup>nd</sup> Six Weeks)	77,658	73,427

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Source: Austin Independent School District.

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

The University of Texas at Austin had an enrollment of 49,996 for the fall semester of 2000 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

## Banking

According to the 2000 spring edition of the Texas Banking Red Book, there are 18 banks and bank branches serving the Austin area.

## Tourism

The impact of tourism on the Austin economy is significant. Total travel expenditures in the Austin-San Marcos MSA were \$2.1 billion in 1999. There are more than 15,700 hotel rooms available within the Austin Metropolitan Area. The substantial increase in supply of rooms contributed to decreasing occupancy rates in the last three years. For the first eleven months of 2000 the occupancy rate for the Austin area was 75.8%, with a downtown average room rate of \$134.97.

Existing City convention and meeting facilities include a Convention Center, which is supported by hotel/motel occupancy tax collections and revenues of the facility, the Palmer Auditorium with a seating capacity of 5,996 or 60,000 square feet of exhibit space; and City Coliseum which has a seating capacity of 3,600 or 28,000 square feet of exhibit space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center and the Austin Opera House. The Texas Exposition and Heritage Center offers 6,000 seat arena seating and 20,000 square feet of banquet/exhibit hall facilities. The Austin Opera House has a concert seating capacity of 1,700 and 9,000 square feet of exhibit space.

## **APPENDIX B**

### **Excerpts From the Annual Financial Report**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the general purpose financial statements of the City of Austin, Texas ("City") as of and for the year ended September 30, 2000, as listed in the accompanying table of contents under "General Purpose Financial Statements" and the following individual fund supporting financial statements included in Exhibit F-1, Exhibit F-2, and Exhibit F-3: Electric Fund Balance Sheet, Electric Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, Electric Fund Statement of Cash Flows, Water and Wastewater Fund Balance Sheet, Water and Wastewater Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, Water and Wastewater Fund Statement of Cash Flows, Airport Fund Balance Sheet, Airport Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, and Airport Fund Statement of Cash Flows. These general purpose financial statements and individual fund supporting financial statements listed above are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements and individual fund supporting financial statements listed above based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements and individual fund supporting financial statements listed above are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements and individual fund supporting financial statements listed above. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and the presentation of the individual fund supporting financial statements listed above. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Austin, Texas as of September 30, 2000, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the individual fund supporting financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds as of September 30, 2000, and the results of operations and the cash flows of such funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund supporting financial statements referred to in the first paragraph. The accompanying combining and individual fund financial statements, other than those referred to in the first paragraph, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Austin, Texas. Such information, other than those individual fund supporting financial statements referred to in the first paragraph, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

KPMG LLP

*Richard Mendoza, CPA*

Austin, Texas  
January 26, 2001

**ALL FUND TYPES AND ACCOUNT GROUPS**  
**COMBINED BALANCE SHEET**  
**September 30, 2000**  
**With comparative totals for September 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
Current assets:				
Cash	\$ 124,742	5,600	246	--
Pooled investments and cash	28,270,387	50,567,495	--	127,975,159
Investments, at fair value	--	858,311	9,602,866	--
Working capital advances	--	--	--	--
Cash and investments held by trustee	--	--	--	--
Receivables, net of allowances:				
Property taxes	4,416,777	--	3,150,297	--
Accounts and other receivables	30,014,551	11,763,268	--	2,157,352
Receivables from other governments	--	14,307,025	--	--
Due from other funds	--	16,453,847	13,229	16,751,044
Inventories, at cost	1,540,774	--	--	--
Real property held for resale	--	1,923,982	--	--
Other assets	283,477	944,189	--	931,536
Total current assets	64,650,708	96,823,717	12,766,638	147,815,091
Restricted assets:				
Revenue note current debt service account		--	--	--
Revenue bond current debt service account	--	--	--	--
Revenue bond future debt service account	--	--	--	--
Revenue bond retirement reserve account	--	--	--	--
Construction account	--	--	--	--
Due from other funds	--	--	--	--
Advances to other funds	--	--	--	--
Decommissioning account	--	--	--	--
Capital improvement account	--	--	--	--
Operating reserve account	--	--	--	--
Hotel occupancy tax account	--	--	--	--
Renewal and replacement account	--	--	--	--
Investments and cash held by trustee	--	--	--	--
Nuclear fuel inventory acquisition account	--	--	--	--
Mueller disposition account	--	--	--	--
Customer and escrow deposits	--	--	--	--
Other restricted accounts	--	--	--	--
Total restricted assets	--	--	--	--
Fixed assets, at cost:				
Property, plant and equipment	--	--	--	--
Less accumulated depreciation	--	--	--	--
Net property, plant and equipment	--	--	--	--
Investment in municipal utility districts	--	--	--	--
Intangible assets, net of amortization	--	--	--	--
Other long-term assets	--	--	--	--
Deferred costs and expenses, net of amortization	--	--	--	--
Other debits:				
Amount available in debt service funds	--	--	--	--
Amount to be provided for accrued compensated absences	--	--	--	--
Amount to be provided for retirement of long-term debt	--	--	--	--
<b>Total assets</b>	<b>\$ 64,650,708</b>	<b>96,823,717</b>	<b>12,766,638</b>	<b>147,815,091</b>

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

**CITY OF AUSTIN, TEXAS**  
**Exhibit A-1**

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
42,050	22,925	--	--	--	195,563	153,898
77,818,516	45,362,999	9,421,637	--	--	339,416,193	389,020,377
--	--	--	--	--	10,461,177	8,549,781
2,548,202	--	--	--	--	2,548,202	3,081,418
--	198,423	--	--	--	198,423	268,564
--	--	--	--	--	7,567,074	7,419,783
158,687,470	282,865	--	--	--	202,905,506	152,759,751
698,954	--	60,444	--	--	15,066,423	14,996,036
--	--	--	--	--	33,218,120	23,469,394
46,401,728	2,079,330	--	--	--	50,021,832	52,886,596
--	--	--	--	--	1,923,982	1,318,700
64,184,961	252,462	--	--	--	66,596,625	13,516,462
350,381,881	48,199,004	9,482,081	--	--	730,119,120	667,440,760
441,867	--	--	--	--	441,867	439,715
118,709,645	--	--	--	--	118,709,645	114,578,685
221,753,105	--	--	--	--	221,753,105	205,440,280
168,178,520	--	--	--	--	168,178,520	167,412,168
374,192,036	2,375,955	--	--	--	376,567,991	393,923,959
384,424	--	--	--	--	384,424	384,424
4,586,722	--	--	--	--	4,586,722	653,146
63,515,224	--	--	--	--	63,515,224	53,655,752
17,985,262	--	--	--	--	17,985,262	14,950,917
17,509,286	--	--	--	--	17,509,286	17,509,286
2,076,499	--	--	--	--	2,076,499	1,989,916
11,043,578	--	--	--	--	11,043,578	11,197,233
20,393,686	--	--	--	--	20,393,686	24,657,907
33,473,935	--	--	--	--	33,473,935	31,366,762
2,616,040	--	--	--	--	2,616,040	22,507
12,199,305	--	--	--	--	12,199,305	15,879,334
10,156,981	--	--	--	--	10,156,981	11,079,341
1,079,216,115	2,375,955	--	--	--	1,081,592,070	1,065,141,332
6,034,581,344	71,076,126	--	669,969,579	--	6,775,627,049	6,329,511,744
(1,797,068,649)	(25,049,003)	--	--	--	(1,822,117,652)	(1,674,176,489)
4,237,512,695	46,027,123	--	669,969,579	--	4,953,509,397	4,655,335,255
2,107,665	--	--	--	--	2,107,665	2,431,398
97,500,000	--	--	--	--	97,500,000	--
1,326,942	--	--	--	--	1,326,942	1,450,616
641,812,260	9,647	--	--	--	641,821,907	632,604,082
--	--	--	--	9,756,704	9,756,704	7,869,714
--	--	--	--	47,885,622	47,885,622	43,555,353
--	--	--	--	553,810,692	553,810,692	519,978,303
6,409,857,558	96,611,729	9,482,081	669,969,579	611,453,018	8,119,430,119	7,595,806,813

(continued)

**ALL FUND TYPES AND ACCOUNT GROUPS**  
**COMBINED BALANCE SHEET**  
**September 30, 2000**  
**With comparative totals for September 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
Current liabilities:				
Accounts payable	\$ 6,145,105	4,148,748	--	8,281,892
Accrued payroll	4,694,875	208,173	--	--
Accrued compensated absences	2,804,177	145,962	--	--
Claims payable	--	--	--	--
Construction contracts payable	--	--	--	--
Contract revenue bonds payable	--	--	--	--
Due to other governments	--	--	--	--
Due to other funds	13,229	16,453,847	--	16,747,159
Interest payable on other debt	--	--	--	--
General obligation bonds payable and other tax supported debt	--	--	--	--
Water improvement district bonds payable	--	--	--	--
Capital lease obligations payable	--	--	--	--
Deferred revenue and other liabilities	6,484,251	40,796,015	3,009,934	2,738,334
Total current liabilities	20,141,637	61,752,745	3,009,934	27,767,385
Liabilities payable from restricted assets:				
Accounts and retainage payable	--	--	--	--
Accrued interest payable	--	--	--	--
General obligation bonds and other tax supported debt payable	--	--	--	--
Revenue bonds payable within one year	--	--	--	--
Capital lease obligations payable	--	--	--	--
Decommissioning expense payable	--	--	--	--
Nuclear fuel expense payable	--	--	--	--
Other liabilities	--	--	--	--
Total liabilities payable from restricted assets	--	--	--	--
Long-term obligations, net of current portion:				
Accrued compensated absences	--	--	--	--
Claims payable	--	--	--	--
Construction contracts payable	--	--	--	--
Contract revenue bonds payable, net of discount	--	--	--	--
Advances from other funds	--	--	--	--
Loans payable	--	--	--	--
Capital appreciation bond interest payable	--	--	--	--
Commercial paper notes payable	--	--	--	--
Revenue notes payable	--	--	--	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	--	--	--	--
Revenue bonds payable, net of discount and inclusive of premium	--	--	--	--
Water improvement district bonds payable	--	--	--	--
Capital lease obligations payable	--	--	--	--
Decommissioning assessment payable	--	--	--	--
Accrued landfill closure and postclosure costs	--	--	--	--
Deferred revenue and other credits	--	--	--	--
<b>Total liabilities</b>	<b>\$ 20,141,637</b>	<b>61,752,745</b>	<b>3,009,934</b>	<b>27,767,385</b>

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

**CITY OF AUSTIN, TEXAS**  
**Exhibit A-1**  
**(Continued)**

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
71,828,647	7,049,410	109,328	--	--	97,563,130	64,580,104
3,411,366	1,324,457	--	--	--	9,638,871	25,699,136
11,409,500	4,018,526	--	--	--	18,378,165	18,740,224
--	13,747,986	--	--	--	13,747,986	10,979,227
1,074,032	--	--	--	--	1,074,032	109,776
6,930,000	--	--	--	--	6,930,000	6,245,000
--	--	1,310,591	--	--	1,310,591	1,952,801
30,825	353,599	3,885	--	--	33,602,544	23,853,818
6,301,865	90,448	--	--	--	6,392,313	4,237,149
2,700,523	1,205,875	--	--	--	3,906,398	4,186,103
366,000	--	--	--	--	366,000	307,000
2,100,001	--	--	--	--	2,100,001	1,965,001
7,295,359	308,223	2,793,600	--	--	63,425,716	65,039,024
113,448,118	28,098,524	4,217,404	--	--	258,435,747	227,894,363
40,191,049	--	--	--	--	40,191,049	38,345,426
62,027,168	--	--	--	--	62,027,168	67,868,043
3,688,803	--	--	--	--	3,688,803	3,576,237
104,302,365	--	--	--	--	104,302,365	99,460,312
7,500,000	--	--	--	--	7,500,000	--
63,515,224	--	--	--	--	63,515,224	53,655,752
33,473,935	--	--	--	--	33,473,935	31,366,762
11,954,008	--	--	--	--	11,954,008	24,364,975
326,652,552	--	--	--	--	326,652,552	318,637,507
6,229,468	2,266,348	--	--	47,885,622	56,381,438	51,432,069
--	8,378,102	--	--	--	8,378,102	8,693,100
75,000	--	--	--	--	75,000	2,018,023
88,254,611	--	--	--	--	88,254,611	95,149,775
--	268,722	--	--	4,318,000	4,586,722	653,146
--	--	--	--	9,210,660	9,210,660	10,219,164
128,547,946	--	--	--	--	128,547,946	109,775,116
403,255,427	--	--	--	--	403,255,427	333,147,181
28,000,000	--	--	--	--	28,000,000	28,000,000
67,274,825	5,972,732	--	--	550,038,736	623,286,293	591,074,129
2,875,791,298	--	--	--	--	2,875,791,298	2,856,361,074
423,000	--	--	--	--	423,000	789,000
17,534,999	--	--	--	--	17,534,999	19,634,999
1,976,937	--	--	--	--	1,976,937	2,255,362
6,700,886	--	--	--	--	6,700,886	6,467,381
9,233,172	--	--	--	--	9,233,172	5,874,230
4,073,398,239	44,984,428	4,217,404	--	611,453,018	4,846,724,790	4,668,075,619

(continued)

**ALL FUND TYPES AND ACCOUNT GROUPS**  
**COMBINED BALANCE SHEET**  
**September 30, 2000**  
**With comparative totals for September 30, 1999**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Continued</b>				
Equity and other credits:				
Contributions from municipality	\$ --	--	--	--
Contributions from State and Federal governments	--	--	--	--
Contributions in aid of construction	--	--	--	--
Contributions from the private sector	--	--	--	--
Investment in general fixed assets	--	--	--	--
Retained earnings:				
Reserved for renewal and replacement	--	--	--	--
Reserved for passenger facility charge	--	--	--	--
Unreserved	--	--	--	--
Fund balances:				
Reserved for encumbrances	9,442,246	4,096,365	--	49,155,286
Reserved for inventories and prepaid items	1,824,251	--	--	--
Reserved for notes receivable	--	5,040,609	--	--
Reserved for real property held for resale	--	1,923,982	--	--
Reserved for nonexpendable trust	--	--	--	--
Unreserved:				
Designated for emergency reserve	17,658,310	--	--	--
Designated for contingency reserve	615,422	--	--	--
Designated for future use	--	24,689,613	--	--
Designated for debt service	--	--	9,756,704	--
Designated for purposes of trust	--	--	--	--
Undesignated	14,968,842	(679,597)	--	70,892,420
<b>Total equity and other credits</b>	<b>44,509,071</b>	<b>35,070,972</b>	<b>9,756,704</b>	<b>120,047,706</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 64,650,708</b>	<b>96,823,717</b>	<b>12,766,638</b>	<b>147,815,091</b>

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



**CITY OF AUSTIN, TEXAS**  
**Exhibit A-1**  
**(Continued)**

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
55,779,691	46,479,675	--	--	--	102,259,366	95,554,320
167,117,885	--	--	--	--	167,117,885	161,926,221
410,144,687	--	--	--	--	410,144,687	386,775,077
4,175,344	--	--	--	--	4,175,344	4,175,344
--	--	--	669,969,579	--	669,969,579	599,381,342
11,065,953	--	--	--	--	11,065,953	10,808,822
10,152,485	--	--	--	--	10,152,485	7,734,879
1,678,023,274	5,147,626	--	--	--	1,683,170,900	1,472,541,295
--	--	--	--	--	62,693,897	36,489,154
--	--	--	--	--	1,824,251	1,192,248
--	--	--	--	--	5,040,609	4,251,828
--	--	--	--	--	1,923,982	1,318,700
--	--	1,040,217	--	--	1,040,217	1,040,217
--	--	--	--	--	17,658,310	16,427,669
--	--	--	--	--	615,422	823,127
--	--	--	--	--	24,689,613	17,913,537
--	--	--	--	--	9,756,704	7,869,714
--	--	4,224,460	--	--	4,224,460	2,690,507
--	--	--	--	--	85,181,665	98,817,193
2,336,459,319	51,627,301	5,264,677	669,969,579	--	3,272,705,329	2,927,731,194
6,409,857,558	96,611,729	9,482,081	669,969,579	611,453,018	8,119,430,119	7,595,806,813

**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**Year ended September 30, 2000**  
**With comparative totals for year ended September 30, 1999**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>REVENUES</b>			
Taxes	\$ 240,663,684	35,098,448	64,960,513
Franchise fees	23,699,065	--	--
Fines, forfeitures and penalties	16,039,732	3,984,938	--
Licenses, permits and inspections	18,173,885	--	--
Charges for services/goods	11,757,818	31,469,731	--
Intergovernmental revenues	--	35,804,413	--
Property owners' participation and contributions	--	--	--
Contributions to trusts	--	--	--
Interest and other	9,410,372	7,366,232	3,165,950
<b>Total revenues</b>	<b>319,744,556</b>	<b>113,723,762</b>	<b>68,126,463</b>
<b>EXPENDITURES</b>			
Current, including capital outlay in the General Fund of \$3,574,831			
Administration	8,976,071	56,899,295	--
Urban growth management	10,188,934	--	--
Public safety	191,591,408	--	--
Public services and utilities	6,098,371	--	--
Public health	41,032,031	--	--
Public recreation and culture	44,205,341	--	--
Social services management	9,387,107	--	--
Nondepartmental expenditures	53,458,609	--	--
Special projects	--	39,230,221	--
Capital outlay for construction	--	--	--
Debt service:			
Principal retirement	--	--	27,220,117
Interest, commissions and other	--	--	42,460,582
<b>Total expenditures</b>	<b>364,937,872</b>	<b>96,129,516</b>	<b>69,680,699</b>
Excess (deficiency) of revenues over expenditures	(45,193,316)	17,594,246	(1,554,236)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of general obligation bonds and other tax supported debt	--	--	--
Operating transfers in	78,351,603	24,216,617	3,441,226
Operating transfers out	(31,293,582)	(34,412,302)	--
<b>Total other financing sources (uses)</b>	<b>47,058,021</b>	<b>(10,195,685)</b>	<b>3,441,226</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,864,705	7,398,561	1,886,990
Fund balances at beginning of year	42,393,772	28,062,160	7,869,714
Residual equity transfer in (out)	250,594	(389,749)	--
<b>Fund balances at end of year</b>	<b>\$ 44,509,071</b>	<b>35,070,972</b>	<b>9,756,704</b>

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

**CITY OF AUSTIN, TEXAS**  
**Exhibit A-2**

Capital Projects	Fiduciary Fund Type	Totals (Memorandum Only)	
	Expendable Trust	2000	1999
--	--	340,722,645	304,677,490
--	--	23,699,065	19,671,043
--	--	20,024,670	19,118,590
--	--	18,173,885	17,252,024
--	--	43,227,549	38,780,339
9,169,519	--	44,973,932	54,427,826
9,508,185	--	9,508,185	2,162,768
--	337,735	337,735	181,787
16,783,236	180,748	36,906,538	22,022,375
35,460,940	518,483	537,574,204	478,294,242
--	--	65,875,366	56,022,809
--	--	10,188,934	9,129,217
--	23,515	191,614,923	173,982,736
--	30,944	6,129,315	11,113,068
--	5,532	41,037,563	40,682,965
--	224,539	44,429,880	41,076,361
--	--	9,387,107	8,627,050
--	--	53,458,609	49,142,610
--	--	39,230,221	50,487,877
99,863,556	--	99,863,556	79,970,838
--	--	27,220,117	24,035,716
--	--	42,460,582	42,250,601
99,863,556	284,530	630,896,173	586,521,848
(64,402,616)	233,953	(93,321,969)	(108,227,606)
59,330,000	--	59,330,000	39,245,000
31,991,956	1,300,000	139,301,402	130,040,505
(13,649,158)	--	(79,355,042)	(67,615,198)
77,672,798	1,300,000	119,276,360	101,670,307
13,270,182	1,533,953	25,954,391	(6,557,299)
106,777,524	2,690,507	187,793,677	193,404,408
--	--	(139,155)	946,568
120,047,706	4,224,460	213,608,913	187,793,677

**GENERAL FUND, SPECIAL REVENUE FUNDS AND DEBT SERVICE FUND**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL-BUDGET BASIS**  
**Year ended September 30, 2000**

	General Fund			Annually Budgeted Special Revenue Funds		
	Actual- Budget Basis	Budget	Variance -- Favorable (Unfavorable)	Actual- Budget Basis	Budget	Variance -- Favorable (Unfavorable)
<b>REVENUES</b>						
Taxes	\$ 240,663,684	233,578,101	7,085,583	--	--	--
Franchise fees	23,699,065	20,141,136	3,557,929	--	--	--
Fines, forfeitures and penalties	16,039,732	16,697,772	(658,040)	--	--	--
Licenses, permits and inspections	18,173,885	16,229,735	1,944,150	--	--	--
Charges for services/goods	11,757,818	12,881,901	(1,124,083)	--	--	--
Interest and other	9,410,372	8,658,564	751,808	69,269,670	64,549,634	4,720,036
Nondepartmental revenues	8,794,817	8,659,421	135,396	--	--	--
<b>Total revenues</b>	<b>328,539,373</b>	<b>316,846,630</b>	<b>11,692,743</b>	<b>69,269,670</b>	<b>64,549,634</b>	<b>4,720,036</b>
<b>EXPENDITURES</b>						
Administration	9,217,085	9,467,421	250,336	54,527,584	56,078,898	1,551,314
Urban growth management	10,215,532	10,388,849	173,317	--	--	--
Public safety	190,347,117	191,305,665	958,548	--	--	--
Public services and utilities	5,917,338	5,947,774	30,436	--	--	--
Public health	41,720,312	42,542,214	821,902	--	--	--
Public recreation and culture	43,835,536	43,718,052	(117,484)	--	--	--
Social services management	10,132,129	10,239,709	107,580	--	--	--
Nondepartmental expenditures	18,994,289	19,589,186	594,897	--	--	--
Principal retirement	--	--	--	--	--	--
Interest and other	--	--	--	--	--	--
Fees and commissions	--	--	--	--	--	--
<b>Total expenditures</b>	<b>330,379,338</b>	<b>333,198,870</b>	<b>2,819,532</b>	<b>54,527,584</b>	<b>56,078,898</b>	<b>1,551,314</b>
Excess (deficiency) of revenues over expenditures	(1,839,965)	(16,352,240)	14,512,275	14,742,086	8,470,736	6,271,350
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	81,295,130	81,295,130	--	24,011,617	23,345,368	666,249
Operating transfers out	(80,842,792)	(80,878,968)	36,176	(35,136,960)	(32,721,467)	(2,415,493)
<b>Total other financing sources (uses)</b>	<b>452,338</b>	<b>416,162</b>	<b>36,176</b>	<b>(11,125,343)</b>	<b>(9,376,099)</b>	<b>(1,749,244)</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,387,627)	(15,936,078)	14,548,451	3,616,743	(905,363)	4,522,106
Fund balances at beginning of year	40,592,823	16,814,352	23,778,471	9,279,157	6,433,606	2,845,551
Residual equity transfers in (out)	--	--	--	(389,749)	--	(389,749)
<b>Fund balances at end of year</b>	<b>\$ 39,205,196</b>	<b>878,274</b>	<b>38,326,922</b>	<b>12,506,151</b>	<b>5,528,243</b>	<b>6,977,908</b>

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

**CITY OF AUSTIN, TEXAS**  
**Exhibit A-3**

Debt Service Fund			Totals (Memorandum Only)		
Actual- Budget Basis	Budget	Variance -- Favorable (Unfavorable)	Actual- Budget Basis	Budget	Variance -- Favorable (Unfavorable)
64,960,513	64,398,628	561,885	305,624,197	297,976,729	7,647,468
--	--	--	23,699,065	20,141,136	3,557,929
--	--	--	16,039,732	16,697,772	(658,040)
--	--	--	18,173,885	16,229,735	1,944,150
--	--	--	11,757,818	12,881,901	(1,124,083)
3,165,950	2,147,173	1,018,777	81,845,992	75,355,371	6,490,621
--	--	--	8,794,817	8,659,421	135,396
68,126,463	66,545,801	1,580,662	465,935,506	447,942,065	17,993,441
--	--	--	63,744,669	65,546,319	1,801,650
--	--	--	10,215,532	10,388,849	173,317
--	--	--	190,347,117	191,305,665	958,548
--	--	--	5,917,338	5,947,774	30,436
--	--	--	41,720,312	42,542,214	821,902
--	--	--	43,835,536	43,718,052	(117,484)
--	--	--	10,132,129	10,239,709	107,580
--	--	--	18,994,289	19,589,186	594,897
33,555,625	34,292,415	736,790	33,555,625	34,292,415	736,790
45,522,371	46,083,459	561,088	45,522,371	46,083,459	561,088
10,105	10,000	(105)	10,105	10,000	(105)
79,088,101	80,385,874	1,297,773	463,995,023	469,663,642	5,668,619
(10,961,638)	(13,840,073)	2,878,435	1,940,483	(21,721,577)	23,662,060
12,848,628	14,092,441	(1,243,813)	118,155,375	118,732,939	(577,564)
--	--	--	(115,979,752)	(113,600,435)	(2,379,317)
12,848,628	14,092,441	(1,243,813)	2,175,623	5,132,504	(2,956,881)
1,886,990	252,368	1,634,622	4,116,106	(16,589,073)	20,705,179
7,869,714	7,659,646	210,068	57,741,694	30,907,604	26,834,090
--	--	--	(389,749)	--	(389,749)
9,756,704	7,912,014	1,844,690	61,468,051	14,318,531	47,149,520

**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS/FUND BALANCES**  
**Year ended September 30, 2000**  
**With comparative totals for year ended September 30, 1999**

	Proprietary Fund Types	
	Enterprise	Internal Service
<b>REVENUES</b>		
Electric services	\$ 782,729,128	--
Water and wastewater services	240,478,634	--
User fees and rentals	173,352,801	--
Billings to departments	--	142,895,966
Employee contributions	--	18,389,105
Operating revenues from other governments	1,806,124	--
Other operating revenues	--	3,036,285
Operating revenues	1,198,366,687	164,321,356
<b>EXPENSES</b>		
Electric operations	420,074,862	--
Water and wastewater operations	96,365,741	--
Other enterprise operations	123,538,253	--
Internal service operations	--	161,563,025
Depreciation	154,147,504	2,713,911
Total operating expenses	794,126,360	164,276,936
<b>Operating income (loss) before nonoperating revenues (expenses) and operating transfers</b>	404,240,327	44,420
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and other revenues	71,129,441	1,653,330
Interest on revenue bonds and other debt	(225,078,583)	(375,059)
Interest capitalized during construction	1,852,527	--
Amortization of bond issue costs	(3,926,863)	(3,859)
Other nonoperating expense	(4,103,677)	(236,102)
Total nonoperating revenues (expenses)	(160,127,155)	1,038,310
Costs to be recovered in future years	25,711,965	--
Income (loss) before operating transfers	269,825,137	1,082,730
Operating transfers:		
Operating transfers in	25,108,879	1,260,000
Operating transfers out	(86,315,239)	--
<b>Net income (loss)</b>	208,618,777	2,342,730
Add depreciation transferred to contributions	2,342,835	--
Net increase in retained earnings/fund balances	210,961,612	2,342,730
Retained earnings/fund balances at beginning of year	1,488,280,100	2,804,896
Residual equity transfers out	--	--
<b>Retained earnings/fund balances at end of year</b>	<b>\$ 1,699,241,712</b>	<b>5,147,626</b>

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

**CITY OF AUSTIN, TEXAS**  
**Exhibit A-4**

Fiduciary Fund Type	Totals	
	(Memorandum Only)	
Nonexpendable Trust	2000	1999
--	782,729,128	682,087,588
--	240,478,634	214,042,787
--	173,352,801	158,213,197
--	142,895,966	132,745,737
--	18,389,105	15,426,960
--	1,806,124	8,180,221
--	3,036,285	3,207,926
--	1,362,688,043	1,213,904,416
--	420,074,862	342,914,020
--	96,365,741	87,011,629
--	123,538,253	110,775,915
--	161,563,025	145,410,566
--	156,861,415	153,427,163
--	958,403,296	839,539,293
--	404,284,747	374,365,123
--	72,782,771	44,971,156
--	(225,453,642)	(211,702,350)
--	1,852,527	18,601,484
--	(3,930,722)	(1,340,705)
--	(4,339,779)	(11,493,484)
--	(159,088,845)	(160,963,899)
--	25,711,965	39,701,954
--	270,907,867	253,103,178
--	26,368,879	18,872,385
--	(86,315,239)	(81,297,692)
--	210,961,507	190,677,871
--	2,342,835	2,904,185
--	213,304,342	193,582,056
1,040,217	1,492,125,213	1,302,219,863
--	--	(3,676,706)
1,040,217	1,705,429,555	1,492,125,213

**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
COMBINED STATEMENT OF CASH FLOWS  
Year ended September 30, 2000  
With comparative totals for year ended September 30, 1999**

**CITY OF AUSTIN, TEXAS  
Exhibit A-5**

	<b>Proprietary Fund Types</b>		<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Nonexpendable Trust (1)</b>	<b>2000</b>	<b>1999</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 1,105,399,944	164,498,572	--	1,269,898,516	1,196,834,812
Cash payments to suppliers for goods and services	(390,701,653)	(53,913,417)	--	(444,615,070)	(373,606,263)
Cash payments to employees for services	(187,490,128)	(72,370,584)	--	(259,860,712)	(230,510,264)
Cash payments to claimants/beneficiaries	--	(36,369,463)	--	(36,369,463)	(29,952,116)
Cash received from other governments	1,313,115	--	--	1,313,115	7,408,129
Taxes collected and remitted to other governments	(16,981,467)	--	--	(16,981,467)	(15,493,225)
<b>Net cash provided by operating activities</b>	<b>511,539,811</b>	<b>1,845,108</b>	<b>--</b>	<b>513,384,919</b>	<b>554,681,073</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers in	25,108,879	1,260,000	--	26,368,879	18,872,385
Operating transfers out	(86,315,239)	--	--	(86,315,239)	(81,297,692)
Residual equity transfers out	--	--	--	--	(3,676,706)
Interest paid on revenue notes and other debt	(1,170,582)	--	--	(1,170,582)	(214,826)
Decrease in deferred assets	135,567	--	--	135,567	1,471,681
Contributions from municipality	139,155	--	--	139,155	--
Loan repayments to other funds	--	--	--	--	(444,049)
Loan repayments from other funds	21,222	--	--	21,222	501,629
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(62,080,998)</b>	<b>1,260,000</b>	<b>--</b>	<b>(60,820,998)</b>	<b>(64,787,578)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from long-term debt issues	217,844,960	--	--	217,844,960	301,308,871
Principal paid on long-term debt	(134,063,118)	(1,521,533)	--	(135,584,651)	(118,695,382)
Proceeds from the sale of fixed assets	930,246	--	--	930,246	118,266
Purchased interest received	815,775	--	--	815,775	1,239,217
Interest paid on revenue bonds and other debt	(201,280,319)	(401,516)	--	(201,681,835)	(185,555,323)
Acquisition and construction of capital assets	(356,196,325)	(12,350,422)	--	(368,546,747)	(383,931,444)
Contributions from municipality	621	6,775,999	--	6,776,620	7,200,722
Contributions from State and Federal governments	10,931,313	--	--	10,931,313	22,621,652
Acquisition of intangible assets	(100,000,000)	--	--	(100,000,000)	--
Contributions in aid of construction	16,594,929	--	--	16,594,929	31,433,414
Bond discounts and issuance costs	(2,245,888)	--	--	(2,245,888)	(12,176,328)
Bond premiums	240,583	--	--	240,583	13,232,802
Bonds issued for advanced refundings of debt	100,000,000	--	--	100,000,000	251,759,512
Cash paid for bond refundings/defeasances	(99,205,027)	--	--	(99,205,027)	(277,375,826)
Cash paid for nuclear fuel inventory	(6,681,685)	--	--	(6,681,685)	(11,218,838)
<b>Net cash used by capital and related financing activities</b>	<b>(552,313,935)</b>	<b>(7,497,472)</b>	<b>--</b>	<b>(559,811,407)</b>	<b>(360,038,685)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of investment securities	(652,344,315)	--	--	(652,344,315)	(1,045,826,116)
Proceeds from sale and maturities of investment securities	668,174,899	--	--	668,174,899	1,076,492,695
Interest on investments	61,965,545	1,442,919	--	63,408,464	57,924,255
Reverse repurchase agreement income	4,398,582	210,408	--	4,608,990	3,966,792
Reverse repurchase agreement expense	(4,157,670)	(199,793)	--	(4,357,463)	(3,658,007)
<b>Net cash provided by investing activities</b>	<b>\$ 78,037,041</b>	<b>1,453,534</b>	<b>--</b>	<b>79,490,575</b>	<b>88,899,619</b>

(continued)

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



**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**COMBINED STATEMENT OF CASH FLOWS**  
**Year ended September 30, 2000**  
**With comparative totals for year ended September 30, 1999**

**CITY OF AUSTIN, TEXAS**  
**Exhibit A-5**  
**(Continued)**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	2000	1999
Net increase in cash and cash equivalents	\$ (24,818,081)	(2,938,830)	--	(27,756,911)	218,754,429
Cash and cash equivalents, October 1, 1999 (2)	581,672,367	50,899,132	1,040,217	633,611,716	414,857,287
<b>Cash and cash equivalents, September 30, 2000 (2)</b>	<b>556,854,286</b>	<b>47,960,302</b>	<b>1,040,217</b>	<b>605,854,805</b>	<b>633,611,716</b>

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	404,240,327	44,420	--	404,284,747	374,365,123
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	154,147,504	2,713,911	--	156,861,415	153,427,163
Allowance for uncollectible accounts	(364,004)	--	--	(364,004)	(1,029,597)
Amortization	9,049,749	--	--	9,049,749	11,633,240
Change in assets and liabilities:					
Decrease in working capital advances	578,050	--	--	578,050	785,776
(Increase) decrease in accounts receivable	(38,828,870)	298,947	--	(38,529,923)	(14,420,844)
Decrease in receivable from other governments	--	--	--	--	30,234
Decrease in due from other funds	24,766	--	--	24,766	158,377
(Increase) decrease in inventory	3,551,801	(259,982)	--	3,291,819	(7,454,283)
(Increase) decrease in prepaid expenses and deferred costs	(854,809)	(229,529)	--	(1,084,338)	1,766,294
Decrease in other regulatory assets	356,339	--	--	356,339	295,342
Decrease in other long-term assets	123,674	--	--	123,674	--
Increase (decrease) in accounts payable	30,376,093	(429,263)	--	29,946,830	20,819,150
Increase (decrease) in accrued payroll and compensated absences	(5,984,425)	(2,189,958)	--	(8,174,383)	3,062,900
Decrease in deferred revenue	(770,921)	(121,731)	--	(892,652)	(1,386,184)
Decrease in decommissioning assessment payable	(271,131)	--	--	(271,131)	(524,104)
(Increase) decrease in unrecovered fuel revenue	(51,725,251)	--	--	(51,725,251)	2,594,276
Increase in accrued landfill closure costs	233,505	--	--	233,505	242,864
Increase (decrease) in claims payable	--	2,453,761	--	2,453,761	(28,700)
Decrease in due to other governments	(493,009)	--	--	(493,009)	(590,012)
Decrease in due to other funds	--	(45,988)	--	(45,988)	(89,133)
Decrease in advance from other funds	--	(328,269)	--	(328,269)	(347,369)
Increase (decrease) in other liabilities	7,207,980	(61,211)	--	7,146,769	11,326,238
Increase in customer deposits	942,443	--	--	942,443	44,322
<b>Total adjustments</b>	<b>107,299,484</b>	<b>1,800,688</b>	<b>--</b>	<b>109,100,172</b>	<b>180,315,950</b>
<b>Net cash provided by operating activities</b>	<b>\$ 511,539,811</b>	<b>1,845,108</b>	<b>--</b>	<b>513,384,919</b>	<b>554,681,073</b>

(continued)

- (1) Nonexpendable trust fund cash and cash equivalents of \$1,040,217 are reported on the balance sheet with all trust and agency funds' pooled investments and cash of \$8,241,401 at October 1, 1999 and \$9,421,637 at September 30, 2000.
- (2) Cash and cash equivalents includes \$449,418,667 and \$3,602,295 in enterprise and internal service funds' restricted accounts, respectively at October 1, 1999 and \$478,993,720 and \$2,375,955 in enterprise and internal service funds' restricted accounts, respectively at September 30, 2000.

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

**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**COMBINED STATEMENT OF CASH FLOWS**  
**Year ended September 30, 2000**  
**With comparative totals for year ended September 30, 1999**

**CITY OF AUSTIN, TEXAS**  
**Exhibit A-5**  
**(Continued)**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	2000	1999
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Increase in advances to other funds	\$ 4,318,000	--	--	4,318,000	--
Increase in deferred assets/expenses	9,720,597	(12)	--	9,720,585	32,842,258
Unamortized bond discounts, premiums, and issue costs on advance refundings	--	--	--	--	(5,140,112)
Increase in capital appreciation					
bond interest payable	(18,674,086)	--	--	(18,674,086)	(11,456,168)
Increase in deferred revenue	(4,318,000)	--	--	(4,318,000)	--
Fixed assets contributed from other funds	--	--	--	--	426,708
Increase in contributed facilities	14,918,520	--	--	14,918,520	23,644,591
Net increase (decrease) on fair value of investment	990,517	--	--	990,517	(12,858,194)
Amortization of bond discounts, premiums, and issue costs	(5,332,652)	(489)	--	(5,333,141)	(3,714,872)
Amortization of deferred loss on refundings	(510,847)	(3,370)	--	(514,217)	(610,193)
Loss on disposal of assets	(1,835,798)	(36,308)	--	(1,872,106)	(10,159,122)
Costs to be recovered in future years	25,711,965	--	--	25,711,965	39,701,954
Loss on extinguishment of debt	(556,529)	--	--	(556,529)	(17,278,873)
Due to other funds for fixed assets	(2,656)	--	--	(2,656)	(5,312)
Contributions from other funds	63,750	--	--	63,750	1,450,616

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

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## **1 -- REPORTING ENTITY**

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, with a City Council composed of a Mayor and six Councilmembers, all of whom are elected at large for three-year staggered terms.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City.

The City's major activities or functions include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, and general administrative services. In addition, the City owns and operates certain major enterprise activities, including an electric utility system, water and wastewater utility system, airport, convention center, and other enterprise activities. These activities are included in the accompanying financial statements.

### **Blended Component Units**

The Austin Housing Finance Corporation (AHFC) and Austin Industrial Development Corporation (AIDC) are legally separate entities from the City. AHFC and AIDC serve all the citizens of Austin and are governed by a board composed of the City Councilmembers. The activities are reported in the Housing Assistance Fund and Austin Industrial Development Corporation Fund, special revenue funds.

### **Related Organizations**

The City Council appoints certain members of the board of the Capital Metropolitan Transit Authority, but the City's accountability for this organization does not extend beyond making the appointments. In addition, City Councilmembers appoint themselves as members of the board of the ABIA (Austin-Bergstrom International Airport) Development Corporation; their function on this board is ministerial rather than substantive. The City has no financial accountability for these two entities.

The City retirement plans (described in Note 9) and the City of Austin Deferred Compensation Plan for City employees are not included in the City's reporting entity because the City does not exercise substantial control over the entities.

## **2 -- SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) in its publication GASB Statement 1 entitled *Authoritative Status of NCGA Pronouncements and AICPA Industry Auditing Guide*, and all subsequent GASB statements, interpretations, concept statements, and technical bulletins; the National Council on Governmental Accounting (NCGA) in the publication entitled *Governmental Accounting, Auditing, and Financial Reporting*, including NCGA Statements 1 through 7 and interpretations thereof; and by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The following represent the more significant accounting and reporting policies and practices used by the City.

### **Audit**

The Charter of the City of Austin requires an annual audit by an independent certified public accountant.

### **Basis of Presentation**

The accounts of the City are organized and operated on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances or retained earnings, revenues, and expenditures or expenses. The various funds are grouped by category and type in the financial statements. The City maintains the following fund types within three broad fund categories and the account groups:

## 2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

### Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those, if any, which should be accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position rather than on determination of net income. The following governmental fund types are maintained by the City:

**General Fund --** The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law, ordinance, or contractual agreement to other funds are accounted for in this fund.

**Special Revenue Funds --** Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. There are four major groups of funds within the special revenue funds, in addition to the Housing Assistance Fund. Of these groups, three account for the activities related to grant programs and one accounts for activities for which expenditures are legally restricted. The groups are: Federal grant funds (both direct and indirect funds), State grant funds, other special revenue grant funds, and other special revenue funds.

**Debt Service Funds --** The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, related costs and certain loans. The two debt service funds are as follows:

General Obligation Debt Service  
HUD Section 108 Loans

**Capital Project Funds --** Capital project funds are used to account for financial resources for the acquisition or construction of major capital facilities (other than those reported within proprietary funds and trust funds). Capital projects are funded primarily by general obligation debt, other tax supported debt, interest income, and other intergovernmental revenues.

In 1981, the City Council passed an ordinance that requires the establishment of a separate fund for each bond proposition approved in each bond election. These separate funds are grouped by year and by bond election date. There are eight major groups of funds within the capital projects funds that account for the activities related to various capital improvement projects as follows:

Prior to 1984: funds authorized prior to 1981;  
funds authorized August 29, 1981, for street and drainage, fire stations,  
traffic signals and emergency medical service projects;  
funds authorized September 11, 1982, for various purposes;  
funds authorized October 22, 1983, for Jollyville Road Improvements;  
1984: funds authorized September 8, 1984, for various purposes;  
1985: funds authorized January 19, 1985, for cultural arts;  
funds authorized July 26, 1985, for parks and recreation;  
funds authorized September 26, 1985, for art in public places;  
funds authorized December 14, 1985, for various purposes;  
1987: funds authorized September 3, 1987, for street improvements;  
1992: funds authorized August 10, 1992, for various purposes;  
1997: funds authorized May 3, 1997, for radio trunking;  
1998: funds authorized November 3, 1998, for various purposes; and  
Other: other funds established for various purposes.

### Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is on capital maintenance and on determination of net income, financial position, and changes in financial position.

**2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

**Enterprise Funds** -- Enterprise funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City's enterprise funds are the following:

<b>Fund</b>	<b>Accounts For</b>
Electric System	Activities of the City-owned electric utility
Water and Wastewater System	Activities of the City-owned water and wastewater utility
Hospital	Activities related to the lease of City-owned Brackenridge Hospital
Solid Waste Services	Solid waste collection and disposal activities; recycling activities
Airport	Operations of the Austin-Bergstrom International Airport
Convention Center	Operations of the Convention Center, Palmer Auditorium, and the City Coliseum; construction of the Convention Center expansion and Town Lake Venue Project
Drainage	Drainage management activities
Transportation	Street maintenance activities
Golf	Public golf courses
Parks and Recreation	City-sponsored softball and recreation programs

**Internal Service Funds** -- Internal service funds are used to account for the financing of goods or services provided by one department or agency to other City departments or agencies or to other governmental units on a cost-reimbursement basis. The City maintains eight internal service funds as follows:

<b>Fund</b>	<b>Accounts For</b>
Fleet Maintenance	Maintenance costs of City-owned vehicles and related revenues
Support Services	Activities of the City's support service departments
Employee Benefits	Activities related to the health, dental, and life insurance costs of City employees
Liability Reserve	Coverage of the City's major claims liabilities
Workers' Compensation	Workers' compensation costs
Radio Communication	Radio communication services for City departments and area agencies
Infrastructure Support Services	Activities for support services for the following four departments: Development, Review and Inspection Services; Planning, Environmental and Conservation Services; Public Works and Transportation; and Drainage Utility
Capital Projects Management	Activities for management of the City's capital improvement projects

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds include expendable and nonexpendable trust funds and agency funds.

**Expendable Trust Funds** -- Expendable trust funds are accounted for in essentially the same manner as governmental funds. The measurement focus is on determination of changes in financial position rather than on net income.

**Nonexpendable Trust Funds** -- These funds are accounted for in the same manner as proprietary funds, with the measurement focus on determination of net income and capital maintenance.

**Agency Funds** -- Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

**Account Groups**

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term liabilities. The following are the account groups maintained by the City:

*General Fixed Assets Account Group* -- This account group accounts for all fixed assets of the City other than those accounted for in the proprietary funds.

*General Long-Term Debt Account Group* -- This account group accounts for and provides control over all long-term liabilities other than those accounted for in the proprietary funds, including unmatured general obligation bonds.

**Basis of Accounting**

Basis of accounting refers to the time at which revenues and expenditures (governmental funds) or expenses (proprietary funds) are recognized in the accounts and reported in the financial statements.

Governmental funds, expendable trust funds, and agency funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, certain revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt, which is recognized when due. This exception is in conformity with generally accepted governmental accounting principles. Agency funds use the modified accrual basis of accounting to recognize assets and liabilities.

Property tax revenues are recognized when they become available in accordance with GASB Interpretation No. 5, *Property Tax Revenue Recognition in Governmental Funds*. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days). Tax collections expected to be received after the 60-day availability period are reported as deferred revenue. Sales taxes are also recognized when they become available in accordance with GASB Statement No. 22, *Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds*.

Mixed drink taxes and certain franchise fees are recorded when susceptible to accrual, i.e., both measurable and available. Money collected for licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings on investments) is recorded as revenue when received because it is generally not measurable until then.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual grant programs are used for guidance. For most of the City's grants, money must be expended for the specific purpose or project before any amounts will be paid to the City. For all grants, revenues are recognized based upon the expenditures recorded.

Investment earnings are recorded on the accrual basis in all funds; unrealized gains or losses on investments are also recognized in accordance with GASB Statement No. 31.

Proprietary funds and nonexpendable trust funds use the accrual basis of accounting, under which revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Revenues in the Electric Fund, Water and Wastewater Fund, Solid Waste Services Fund, Drainage Fund, and Transportation Fund are recognized as they are billed to customers on a cyclical basis. Electric rates include a fixed rate and a fuel recovery cost-adjustment factor that allows recovery of coal, gas, purchased power, and other fuel costs. Electric deferred or unbilled revenues are recorded if actual fuel costs differ from amounts billed to customers, and any over-collections or under-collections are applied to the cost-adjustment factor. The fuel factor is revised annually on a calendar year basis or when over or under fuel recovery is more than 10% of expected fuel costs.

**2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

Revenues for the airport fund are recognized as they are billed to customers. Effective November 1, 1993, the Airport Fund began to charge each enplaned passenger a \$3 passenger facility charge, as allowed by the Federal Aviation Administration. Airport Fund 2000 operating revenues included passenger facility charges of \$9,407,652. These funds were approved by the FAA for debt service payments for the Austin-Bergstrom International Airport.

Revenues for the Convention Center are recognized as they are billed to customers upon completion of events held at the Convention Center facilities.

**Rates**

The Texas Public Utility Commission has jurisdiction over electric utility transmission rates. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council's determination of water and wastewater utility rates and electric utility rates is based on the cost of operations and a debt service coverage approach.

**Budget**

In accordance with the City Charter, the City adheres to the following procedures in establishing its operating budgets:

- (1) At least thirty days prior to the beginning of the new fiscal year, the City Manager submits a proposed budget to the City Council. The budget represents the financial plan for the new fiscal year and includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted on the budget.
- (3) The budget is legally enacted by the City Council no later than the twenty-seventh day of the last month of the old fiscal year, through passage of an appropriation ordinance and tax levying ordinance.
- (4) The City Manager has the authority to transfer appropriation balances from one expenditure account to another within a fund and single office, department, or agency of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and office, department, or agency to another. The budgetary data presented in these financial statements have been revised for amendments authorized during the year. A reconciliation of original to amended budget for the General Fund is presented in Note 3.
- (5) Formal budgetary control through the accounting system is employed as a management control device during the year for the General Fund, certain non-grant special revenue funds, debt service funds and proprietary funds. Management control for the operating budget is maintained at the fund and office, department or agency level. Formal budgetary control through the accounting system is employed as a management control device in the special revenue grant funds and capital projects funds for the life of the related grants or projects.
- (6) Annual budgets are legally adopted for the General Fund, certain special revenue funds, debt service funds, certain trust funds, and proprietary funds. Budgets for the grant-related special revenue funds are established pursuant to the terms of the related grant awards. A comparison of budget to actual is presented in the financial statements for all governmental funds that adopt annual budgets. A comparison of budget to actual for other fund types is prepared for budget purposes, but is not legally required and is not presented in the financial statements.

Capital project fund appropriations are increased on an annual basis through the budgetary process. However, the budgets are not binding on an annual basis. Rather, budgets are long-range and are used for planning purposes. Accordingly, no comparison of budget to actual is presented in the financial statements for such funds.

- (7) The City Charter does not permit a deficiency of anticipated revenues over appropriations. If at any time during the fiscal year the City Manager determines that available revenues plus beginning fund balance will be less than total appropriations for the year, he or she shall reconsider the work programs of the departments and agencies and revise them to prevent deficit spending. Expenditures may not legally exceed budgeted activities at the departmental level.



**2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

- (8) At the close of each fiscal year, any unencumbered appropriation balances (appropriation less current year expenditures and encumbrances) in the General Fund and certain special revenue funds lapse or revert to the undesignated fund balance. In the proprietary funds, unencumbered appropriations also lapse but do not revert to fund balance for accounting purposes because of the differences in methods of accounting. Unencumbered appropriation balances in the grant-related special revenue funds and capital projects funds do not lapse at year-end.

Certain differences exist between the basis of accounting used for budgetary purposes (budget basis) and that used for reporting in accordance with generally accepted accounting principles (GAAP basis). These differences, as well as other information regarding budgetary control, are described in Note 3.

**Encumbrances**

Encumbrances represent commitments for unperformed (executory) contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded to reserve appropriations, is used in the governmental funds.

Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute GAAP-basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

For budgetary purposes, unencumbered appropriations lapse at year-end. Encumbrances outstanding at year end and the related appropriation are available for expenditure in subsequent years. For governmental funds, encumbrances constitute the equivalent of expenditures for budgetary purposes and accordingly, the accompanying financial statements present comparisons of actual results to the budgets for governmental funds on a budget-basis (see Note 3).

**Pooled Investments and Cash**

Cash balances of all City funds (except for certain funds shown in Note 6 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of U.S. government obligations and U.S. agency obligations, are stated at fair value. 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 incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

**Investments**

The City complies with Governmental Accounting Standards Board (GASB) Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (see Note 6), which requires certain investments to be reported at fair value. The fair value is based on quoted market prices. 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 at fair value as of September 30, 2000.

**Inventories**

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

<b>Fund</b>	<b>Inventory Valuation Method</b>
General Fund	Average cost (predominantly); some first-in, first-out
Electric	
Fuel oil and coal	Last-in, first out
Other inventories	Average cost
All other	Average cost

Inventories for all funds use the consumption method and record expenditures when issued. Inventories reported in the General Fund are offset by a fund balance reserve, which indicates they do not represent "available spendable resources."

**2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

**Property, Plant and Equipment -- Proprietary Funds**

Property, plant and equipment owned by the proprietary funds are stated at historical cost. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of fixed assets are capitalized. Interest paid on long-term debt in the enterprise funds is capitalized when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by the bond proceeds issued to fund the project. Depreciation of plant and equipment classified by functional components is provided by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Electric Fund and Water and Wastewater Fund:	
Plant	30-50 years
Improvements to grounds	30-50 years
Transmission and distribution system	12-50 years
Other machinery and equipment	7-30 years
Vehicles	7 years
Other Enterprise Funds and Internal Service Funds:	
Buildings and improvements	40 years
Improvements to grounds	15 years
Machinery and equipment	7-12 years
Vehicles	7 years

Depreciation of completed but unclassified fixed assets is provided by the straight-line method, using a composite rate.

The City is accelerating the depreciation of two generating stations that will be retired before the end of their estimated useful life. The increase to Electric Fund 2000 depreciation expense for this accelerated depreciation is \$560,092.

When the City retires or otherwise disposes of proprietary fund fixed assets (other than debt-financed assets of the utility funds), it recognizes a gain or loss on the disposal of the assets.

Federal, State or local grant funds that are restricted to purchasing property, plant, and equipment and contributions in aid of construction are recorded as equity contributions when received. Depreciation on contributed assets is recorded as an expense in the statement of operations and then transferred to the related contribution accounts. Contributions of funds from the municipality are recorded as equity contributions when received.

**Intangible Assets -- Proprietary Funds**

On October 7, 1999, the City and the Lower Colorado River Authority (LCRA) signed a historic fifty-year assured water supply agreement, with an option to extend another fifty years. The \$100 million contract reserves an additional 75,000 acre-feet of water for Austin and allows the City to take water from the Highland Lakes, rather than relying exclusively on available river water. The Water and Wastewater Fund has recorded the water rights as an intangible asset, which is being amortized over 40 years and is reported net of amortization of \$2.5 million.

**General Fixed Assets**

General fixed assets have been acquired for general governmental purposes. Assets purchased or constructed are recorded as expenditures in the governmental funds and capitalized at historical cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded in the General Fixed Assets Account Group at estimated fair market value at the time received.

The City does not capitalize public domain general fixed assets (infrastructure) and, accordingly, no such assets are recorded in the General Fixed Assets Account Group. Infrastructure consists of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Such assets normally are immovable and are of value only to the City. Therefore, the responsibility for stewardship for capital expenditures is satisfied without recording these assets.

**2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

No depreciation has been provided on general fixed assets. No interest has been capitalized on general fixed assets.

**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 recorded in the General Long-Term Debt Account Group.

The debt service for general obligation bonds and other general obligation debt issued to fund proprietary fund capital projects is normally paid from net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principles and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds that have been issued to fund capital projects of certain enterprise funds are to be repaid from net revenues of these funds. Such debt is recorded in the funds.

The City defers and amortizes gains or losses that its proprietary funds realize on refundings of debt and reports both the new debt liability and the related deferred amount on the funds' balance sheets. The City recognizes gains or losses on debt defeasance when funds from current operations are used.

**Compensated Absences**

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of six weeks. All full-time employees earn sick leave benefits at a rate of twelve days per year; these benefits may be accumulated without limit. Upon termination, an employee is reimbursed for all accumulated vacation days. If the terminating employee was employed prior to October 1, 1986 and leaves in good standing, reimbursement is also made for all accrued sick leave up to ninety days. Certain employees are also allowed to accumulate credit for compensatory time in lieu of overtime pay up to 120 hours. Compensatory time accrued by employees is taken into consideration when calculating accrued compensated absence liabilities. Compensated absence liabilities include employment-related taxes.

For governmental funds, the estimated current portion of the accrued vacation and sick pay liability is recorded as an expenditure and liability in the General Fund, or special revenue fund, with the non-current portion of the liability recorded in the General Long-Term Debt Account Group. The current portion is estimated based on amounts paid to terminating employees during the most recent fiscal year. Actual vacation and sick benefits paid during the year are recorded as expenditures in the governmental funds.

For proprietary funds, vacation and sick pay are recorded as an expense and related liability in the year earned. The current portion is estimated based on an analysis of the historical use of benefits by the employees.

**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, including medical malpractice; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. The City continues to be self-insured for liabilities for most health benefits, third-party and workers' compensation claims.

The City purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bond, and airport operations. In addition, the City purchases a broad range of insurance coverage for contractors working at selected capital improvement project sites. The City does not participate in a risk pool. The City complies with GASB Statement 10, *Accounting and Reporting for Risk Financing and Related Insurance Issues* (see Note 21).

**Pension Plans**

It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see Note 9).

## **2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

### **Federal and State Grants, Entitlements and Shared Revenues**

Grants, entitlements and shared revenues may be accounted for within any of the seven fund types. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the proper fund type in which to record the related transactions. Grants, entitlements and shared revenues received for activities normally recorded in a particular fund type may be accounted for in that fund type, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally recorded in other governmental funds are accounted for within these special revenue fund groups: 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 expenditures at the discretion of the City are recognized in the applicable proprietary fund. Grant money restricted for acquisition or construction of capital assets is recorded as contributed equity in the applicable proprietary fund.

### **Intergovernmental Revenues, Receivables and Liabilities**

Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. These revenues and receivables 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.

### **Transactions Between Funds**

During the course of normal operations, the City has numerous transactions between funds. Short-term advances between funds are accounted for in the pooled investments and cash accounts. 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. 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.

Nonrecurring or nonroutine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. Residual equity transfers to proprietary funds are treated as contributed capital, and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

### **Comparative Data**

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data, (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

### **Reclassifications and Restatements**

Certain comparative data have been reclassified or restated to present them in a manner consistent with the current year's financial statements. In 2000, expendable and nonexpendable trust balances were reclassified as of September 30, 1999 in the amount of \$963,843 in order to correctly state the trust funds in accordance with certain City ordinances.

### **Total Columns on Combined Financial Statements**

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. No consolidating or other eliminations of interfund balances or transactions were made in arriving at the totals. Such data are not comparable to a consolidation.

**2 -- SIGNIFICANT ACCOUNTING POLICIES, continued**

**Deferred Items**

The City's utility systems are reported in accordance with Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. Certain utility expenses that do not currently require funds are deferred to future periods in which they are intended to be recovered by rates. Likewise, certain credits to income are deferred to periods in which they are matched with related costs. These expenses or credits include changes in fair value of investments in accordance with GASB Statement 31. Deferred expenses will be recovered in these future periods by setting rates sufficient to provide funds for the related debt service requirements. If rates being charged will not recover deferred expenses, the deferred expenses 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. Under a bill passed by the Texas Legislature in 1999, municipally owned utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. City management has not made a decision to enter into retail competition, as allowed by State law, thus the effects of entering retail competition are uncertain and do not warrant a change in accounting policy.

**Statement of Cash Flows**

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 investment and cash accounts.

**Landfill Closure and Postclosure Care Costs**

The City reports municipal solid waste landfill costs in accordance with GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability for landfill closure and postclosure costs is reported in the Solid Waste Services Fund, an enterprise fund.

**Governmental Accounting Standards Board (GASB) Statement 20**

In accordance with GASB Statement 20, the City is required to follow all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, including FASB Statement 71, unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued subsequent to that date.

**3 -- BUDGET BASIS REPORTING**

**a -- General**

The City of Austin prepares its annual operating budget based on cash and available resources (budget basis) that differs from generally accepted accounting principles (GAAP basis). In order to provide a meaningful comparison of actual results with the budget, the Combined Statement of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund, certain special revenue funds, and debt service funds present the actual and budget amounts in accordance with the City's budget basis.

**3 -- BUDGET BASIS REPORTING, continued**

**b -- Reconciliation of GAAP Basis and Budget Basis Amounts**

The primary differences between GAAP and budget reporting for the General Fund are the reporting of encumbrances, the recording of compensated absences on the accrual basis (GAAP), as opposed to budget basis, and the reporting of certain operating transfers. The differences for those special revenue funds that have a legally adopted annual budget are the reporting of encumbrances and the recording of payroll and compensated absences on the accrual basis (GAAP), as opposed to the budget basis. General Fund accrued payroll is recorded at the department level on the accrual basis and in nondepartmental expenditures on the budget basis. Adjustments necessary to convert the excess of revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the General Fund and these special revenue funds are provided as follows:

	<u>General Fund</u>	<u>Special Revenue Funds (1)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ 1,864,705	7,398,561
Adjustment:		
Less: Excess revenues and other sources over expenditures and other uses for nonbudgeted funds - GAAP basis	--	(3,215,004)
Adjusted excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	1,864,705	4,183,557
Other adjustments:		
Decrease due to unbudgeted payroll accrual	--	(224,366)
Increase (decrease) due to net compensated absences accrual	684,777	(35,494)
Decrease due to outstanding encumbrances established in 2000	(8,257,742)	(3,641,978)
Decrease due to contingency and emergency reserves in 2000	(1,022,936)	--
Increase due to payments against prior year encumbrances	5,343,569	3,335,024
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	<u>\$ (1,387,627)</u>	<u>3,616,743</u>

- (1) The special revenue funds that have legally adopted budgets are Aviation Asset Forfeiture, Balcones Canyonlands Conservation Plan, Child Safety, Disproportionate Share, EMS Travis County Reimbursed, Energy Conservation Rebates and Incentives, Environmental Remediation, Federally Qualified Health Center, Fee Waiver, Health and Human Services Travis County Reimbursed, Hotel-Motel Occupancy Tax, Municipal Court Building Security, Neighborhood Housing and Conservation, One Texas Center, PARD Cultural Projects, Planning, Environmental and Conservation Services, Police Federal Seized, Police Seized Money, Public Improvement District, Strategic Planning Investment, Telecommunity Partnership, Tourism and Promotion, and Vehicle Rental Tax.

Within the General Fund, the Parks and Recreation Department expenditures exceeded appropriations by \$137,609.

The Federally Qualified Health Center, a budgeted special revenue fund, reported expenditures in excess of appropriations of \$1,069,883. This fund did not report a deficit fund balance.

Although the debt service funds are prepared on a budget basis, no differences exist between GAAP basis and budget basis fund balance for these funds except for the amount of enterprise-related and certain departmental-related debt payments (\$9,407,402) budgeted as operating transfers.

**3 -- BUDGET BASIS REPORTING, continued**

**c -- Budget Amendments**

The original budget of the General Fund was amended several times during fiscal year 2000. The following table compares original to amended budgets:

	<b>Original Budget</b>	<b>Amendments Increase (Decrease)</b>	<b>Amended Budget</b>
<b>REVENUES</b>			
Taxes	\$ 233,578,101	--	233,578,101
Franchise fees	20,141,136	--	20,141,136
Fines, forfeitures and penalties	16,697,772	--	16,697,772
Licenses, permits and inspections	16,229,735	--	16,229,735
Charges for services/goods	12,301,264	580,637	12,881,901
Interest and other	6,786,216	1,872,348	8,658,564
Nondepartmental revenues	8,659,421	--	8,659,421
Total revenues	<u>314,393,645</u>	<u>2,452,985</u>	<u>316,846,630</u>
<b>EXPENDITURES</b>			
Administration	9,368,431	98,990	9,467,421
Urban growth management	10,388,849	--	10,388,849
Public safety	188,165,133	3,140,532	191,305,665
Public services and utilities	5,847,774	100,000	5,947,774
Public health:			
Physician stipend/Charity care	10,495,146	--	10,495,146
Medical Assistance Program-			
hospital contracted services/patient services	6,107,668	--	6,107,668
Other public health	25,541,045	398,355	25,939,400
Public recreation and culture	43,489,865	228,187	43,718,052
Social services management	10,239,709	--	10,239,709
Nondepartmental expenditures	21,202,948	(1,613,762)	19,589,186
Total expenditures	<u>330,846,568</u>	<u>2,352,302</u>	<u>333,198,870</u>
<b>TRANSFERS</b>			
Operating transfers in	78,351,603	2,943,527	81,295,130
Operating transfers out	(80,013,611)	(865,357)	(80,878,968)
Total transfers	<u>(1,662,008)</u>	<u>2,078,170</u>	<u>416,162</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (18,114,931)</u>	<u>2,178,853</u>	<u>(15,936,078)</u>

The amended budget is presented in the accompanying financial statements. The General Fund budget includes other revenues and requirements, which are presented in the nondepartmental category. The nondepartmental revenue budget includes amounts budgeted as fund-level revenues. The amended expenditure budget for these nondepartmental requirements includes the following: tuition reimbursement (\$85,000), accrued payroll (\$1,190,300) and expenses for workers' compensation (\$3,667,888), liability reserve (\$2,500,000), relocation (\$1,669,432), 27<sup>th</sup> pay period (\$8,802,311), jail costs (\$300,000), Mexic-Arte Museum (\$740,000), and Fire meet and confer (\$634,255).

**3 -- BUDGET BASIS REPORTING, continued**

There were budget amendments to the following special revenue funds during fiscal year 2000:

	<b>Original Budget</b>	<b>Amendments Increase (Decrease)</b>	<b>Amended Budget</b>
<b>REVENUES</b>			
EMS Travis County Reimbursed	\$ 3,710,352	(457,571)	3,252,781
Energy Conservation Rebates and Incentives	8,156,666	300,000	8,456,666
Health and Human Services Travis County Reimbursed	4,748,558	377,430	5,125,988
Public Improvement District	--	1,150,753	1,150,753
<b>EXPENDITURES</b>			
EMS Travis County Reimbursed	3,710,352	(457,571)	3,252,781
Energy Conservation Rebates and Incentives	8,156,666	300,000	8,456,666
Public Improvement District	--	1,200,753	1,200,753
<b>OPERATING TRANSFERS IN</b>			
PARD Cultural Arts	2,915,803	144,810	3,060,613
Public Improvement District	--	150,000	150,000
<b>OPERATING TRANSFERS OUT</b>			
Planning, Environmental and Conservation Services	503,655	2,231	505,886

**4 -- DEFICITS IN FUND BALANCE AND RETAINED EARNINGS**

At September 30, 2000, the funds below reported deficits in fund balance or fund equity. Management intends to recover these deficits through future operating revenues, transfers or debt issues. Of the proprietary funds below, all except the Liability Reserve Fund have positive fund equity.

	<b>Deficit Fund Balance</b>		<b>Deficit Retained Earnings</b>
<b>Special Revenue Funds:</b>		<b>Enterprise Funds:</b>	
Austin Transportation Study	\$ 147,051	Parks and Recreation	\$ 420,399
Fiscal Surety-Land Development	168,194		
One Texas Center	361,776	<b>Internal Service Funds:</b>	
<b>Capital Projects Funds:</b>		Employee Benefits	7,574,101
Library	92,542	Liability Reserve	578,054
Energy improvements--city facilities	76,852	Worker's Compensation	2,375,588
Parks/Old Bakery	330,511		
Police facilities	13,785		
Traffic signals	9,961,479		
Build Austin	879,882		
Public Works	126,321		
Watershed Protection	3,738,725		
Tanglewood park	64,197		
Conservation land	4,649,919		
Interest income fund	2,226,860		



**5 -- POOLED INVESTMENTS AND CASH**

The following summarizes the amounts of pooled investments and cash by fund type at September 30, 2000:

	<b>Pooled Investments and Cash</b>	
	<b>Unrestricted</b>	<b>Restricted</b>
General Fund	\$ 28,270,387	--
Special Revenue Funds	50,567,495	--
Capital Projects Funds	127,975,159	--
Enterprise Funds:		
Electric	5,857,629	97,816,940
Water and Wastewater	18,390,335	71,678,550
Hospital	26,475,083	6,995,720
Solid Waste Services	6,854,546	12,789,233
Airport	--	70,446,602
Convention Center	13,328,267	158,404,556
Other	6,912,656	28,585,844
Internal Service Funds	45,362,999	2,375,955
Fiduciary Funds	9,421,637	--
Subtotal pooled investments and cash	<u>339,416,193</u>	<u>449,093,400</u>
Total pooled investments and cash	<u>\$ 788,509,593</u>	

**6 -- INVESTMENTS AND DEPOSITS**

**INVESTMENTS**

Chapter 2256, Texas Government Code (The Public Funds Investment Act) and the City of Austin Investment Policy, authorize the City to invest in the following:

- (1) obligations of the U.S. Treasury or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas;
- (3) other obligations, the principal of 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 states, agencies, counties, or cities rated A or better by a national investment rating firm;
- (5) certificates of deposit that are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or its successor, or secured by obligations described in (1) through (4) above, and having a market value of at least the principal amount of the certificates;
- (6) fully collateralized direct and reverse repurchase agreements. State statutes require that securities underlying repurchase agreements must have a market value of at least 100% of the repurchase agreement's cost. Money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized securities, but the term of the authorized security acquired must mature not later than the expiration date stated in the reverse security repurchase agreement;
- (7) bankers acceptances accepted by a domestic bank maturing in 270 days or less from the date of its issuance and is rated at least A-1, P-1 by a national investment rating firm;
- (8) commercial paper with a stated maturity of 270 days or less from the date of its issuance and is either (a) rated not less than A-1, P-1 by at least two national investment rating firms, or (b) is rated at least A-1, P-1 by one national investment rating firm 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;
- (9) SEC-regulated, no load money market mutual funds with a dollar weighted average portfolio maturity of 90 days or less, whose assets consist exclusively of securities described in (1) through (8) above and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share;
- (10) local government investment pools, such as the Texas Local Government Investment Pool, organized in accordance with Chapter 791, Texas Government Code (The Interlocal Cooperation Act), whose assets consist of the obligations described in (1) through (8) above. A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service; and

6 -- INVESTMENTS AND DEPOSITS, continued

(11) share certificates issued by state or federal credit unions domiciled in Texas that are guaranteed or issued by the National Credit Union Share Insurance Fund or its successor, or secured by obligations described under (1) through (4) above having a market value of at least the principal amount of the certificates.

The City follows GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that governmental entities should report investments at fair value on the balance sheet, and that all investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement. The change in investment value is reported on the balance sheet in either pooled investments and cash for investment pool participants, or in investments, for those funds which hold their own investments; the revenue is reported on the income statement in interest income.

The City participates in two Texas local government investment pools, TexPool and TexasTERM, which are external investment pools. The State Comptroller of Public Accounts maintains oversight responsibility for TexPool. This responsibility includes the ability to influence operations, designation of management, and accountability for fiscal matters. TexasTERM was 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 Texas Government Code. An advisory board, consisting of participants or their designees, maintains oversight responsibility. Although both external investment pools are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB Statement 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the City's position in these pools is the same as the value of the shares the City holds.

State statutes permit the City to enter into certain reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the term to maturity of the investments is the same as the term of the reverse repurchase agreement. It is the City's policy to require a margin call at 1% or \$100,000, whichever is less, above the value of the underlying investments sold. The average amount of investments outstanding during the year was \$114 million. The maximum amount outstanding during 2000 was \$166 million. At year end, the City did not have any reverse repurchase agreements.

The City's investments (with exceptions noted above) are categorized below to give an indication of the level of risk (Category 1-lowest level of risk to Category 3-highest level of risk) assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City's agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the City's trust department or agent, but not in the City's name.

	Category			Fair Value
	1	2	3	
<u>Investments</u>				
Obligations of the U.S. government and its agencies	\$ 991,376,793	--	--	991,376,793
Commercial paper	10,240,139	--	--	10,240,139
	1,001,616,932	--	--	1,001,616,932
<u>Investments held by trustee</u>				
Obligations of the U.S. government and its agencies	59,135,873	--	--	59,135,873
	1,060,752,805	--	--	1,060,752,805
<u>Investments not categorized</u>				
Money market mutual funds				1,472,390
TexPool, Texas Local Government Investment Pool				291,376,975
TexasTERM, Local Government Investment Pool				40,000,000
Total investments				<u>\$ 1,393,602,170</u>

**6 -- INVESTMENTS AND DEPOSITS, continued**

Investments owned by the various funds of the City at September 30, 2000, are as follows:

Description	Yields	Fair Value	Change in Fair Value
<b>NON-POOLED INVESTMENTS</b>			
Obligations of the U.S. government and its agencies	5.09% - 14.29%	\$ 433,305,714	1,014,017
Texas local government investment pools	6.61%	160,983,378	--
Total non-pooled investments		<u>594,289,092</u>	<u>1,014,017</u>
<b>POOLED INVESTMENTS</b>			
Money market mutual funds	6.50% - 6.57%	1,472,390	--
Obligations of the U.S. government and its agencies	5.57% - 6.55%	617,206,952	1,495,916
Commercial paper	6.74%	10,240,139	--
TexPool, Texas Local Government Investment Pool	6.61%	130,393,597	--
TexasTERM, Local Government Investment Pool	6.67%	40,000,000	
Total pooled investments		<u>799,313,078</u>	<u>1,495,916</u>
<b>TOTAL ALL INVESTMENTS</b>		<u>\$ 1,393,602,170</u>	<u>2,509,933</u>

**DEPOSITS**

The September 30, 2000, carrying amount of deposits is as follows:

Cash	
Unrestricted	\$ 195,317
Restricted	246
Cash held by trustee	
Unrestricted	198,423
Restricted	20,393,686
Pooled cash	4,280,507
Total deposits	<u>\$ 25,068,179</u>

All bank balances were either insured or collateralized with securities held by the City or by its agent in the City's name.

**7 -- 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, 1999, upon which the 2000 levy was based, was \$35,602,840,326.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2000, 99.08% of the current tax levy (October 1, 1999) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, county-wide 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 appraisal district is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District has chosen to review the value of property every two years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

**7 -- PROPERTY TAXES, continued**

The City is authorized to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, and adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than 8%.

Through a contractual arrangement, Travis County bills and collects property taxes for the City, as well as for several other governmental entities. The City is permitted by Article II, 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.

The tax rate to finance general governmental purposes, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2000, was \$.3222 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$.6778 per \$100 assessed valuation, and could levy approximately \$241,316,052 in additional taxes from the assessed valuation of \$35,602,840,326 before the legislative limit is reached.

**8 -- FIXED ASSETS**

Components of the City's fixed assets at September 30, 2000, are summarized as follows (in thousands of dollars):

	Electric Fund	Water & Wastewater Fund	Hospital Fund	Solid Waste Services Fund	Airport Fund	Convention Center Fund	Other Enterprise Funds	Internal Service Funds	General Fixed Assets	Total
Land and land rights	\$ 33,559	70,748	759	10,462	58,690	26,090	2,694	485	174,543	378,030
Buildings and improvements	557,563	1,260,087	74,017	9,933	546,696	82,261	14,206	3,530	219,096	2,767,389
Machinery and equipment	1,917,344	462,096	4	14,852	17,362	3,024	17,132	19,969	67,842	2,519,625
Completed assets not classified	134,134	243,816	13	4,069	58,330	3,683	7,135	40,543	--	491,723
Total plant in service	2,642,600	2,036,747	74,793	39,316	681,078	115,058	41,167	64,527	461,481	6,156,767
Less accumulated depreciation	(1,048,947)	(546,547)	(31,233)	(24,120)	(112,163)	(23,036)	(11,023)	(25,049)	--	(1,822,118)
Net property, plant and equipment in service	1,593,653	1,490,200	43,560	15,196	568,915	92,022	30,144	39,478	461,481	4,334,649
Construction in progress	151,085	87,050	--	20,745	40,800	28,162	26,738	6,549	208,489	569,618
Nuclear fuel, net of amortization	17,863	--	--	--	--	--	--	--	--	17,863
Plant held for future use	31,379	--	--	--	--	--	--	--	--	31,379
Total property, plant and equipment	\$ 1,793,980	1,577,250	43,560	35,941	609,715	120,184	56,882	46,027	669,970	4,953,509

The following table summarizes the changes in components of the General Fixed Assets Account Group for the year ended September 30, 2000:

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
Balance, September 30, 1999	\$ 168,993,974	141,763,480	32,959,698	71,189,085	184,475,105	599,381,342
Additions	--	--	--	--	74,172,704	74,172,704
Retirements	--	--	--	(3,584,467)	--	(3,584,467)
Completed construction	5,549,278	35,144,735	9,227,534	237,507	(50,159,054)	--
Balance, September 30, 2000	\$ 174,543,252	176,908,215	42,187,232	67,842,125	208,488,755	669,969,579

**8 -- FIXED ASSETS, continued**

The City does not capitalize public domain general fixed assets. This accounting policy affects only the General Fixed Asset Account Group. During 2000, the City did not capitalize completed infrastructure assets amounting to \$29,476,519.

Construction in progress includes various capital projects that are funded primarily by general obligation and revenue bonds. The General Fixed Asset Account Group includes as construction-in-progress certain completed capital projects in service at September 30, 2000, which have not been unitized or capitalized pending classification to the proper fixed asset in-service categories. In all other funds, completed construction unclassified is included in property, plant and equipment.

The City anticipates the need for numerous additional utility-related projects over the next several years. However, the City has no formal commitments to projects other than those currently under construction. Estimated unfunded future expenditures for capital projects will be funded from operations, issuance of additional general obligation or revenue bonds, or from alternative methods of financing. The City has recorded capitalized interest in the Convention Center Fund of \$1,852,527 related to the construction of various capital improvement projects.

**9 -- RETIREMENT PLANS**

**a -- Description**

The City participates in funding three contributory, defined benefit retirement plans: City of Austin Employees' Retirement and Pension Fund, City of Austin Police Officers' Retirement and Pension Fund, and Fire Fighters' Relief and Retirement Fund of Austin, Texas. An independent board of trustees administers each plan. These plans are City-wide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 1999. Membership in the plans at December 31, 1999 is as follows:

	<b>City Employees</b>	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>Total (Memorandum Only)</b>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,862	242	340	3,444
Current employees	6,512	1,169	895	8,576
Total	9,374	1,411	1,235	12,020

Each plan provides service retirement, death, disability and withdrawal benefits. State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Financial reports that include financial statements and supplementary information for each plan are publicly available at the locations shown below.

<b>Plan</b>	<b>Address</b>	<b>Telephone</b>
Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752	(512)458-2551
Police Officers' Retirement and Pension Fund	P.O. Box 684808 Austin, Texas 78768-4808	(512)416-7672
Fire Fighters' Relief and Retirement Fund	3301 Northland Drive, Suite 215 Austin, Texas 78731	(512)454-9567

**9 -- RETIREMENT PLANS, continued**

**b -- Funding Policy**

	<b>City of Austin Employees' Retirement and Pension Fund</b>	<b>City of Austin Police Officers' Retirement and Pension Fund</b>	<b>Fire Fighters' Relief and Retirement Fund</b>
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.0% (1)	9.0%	13.70% (3)
City's contribution (percent of earnings)	8.0% (1)(2)	18.0%	18.05% (3)

(1) Employee contributions changed from 7% to 8% effective October 1999. The City contribution changed from 7% to 8% effective April 2000.

(2) The City contributes two-thirds of the cost of prior service benefit payments.

(3) Employee contributions changed from 11.70% to 13.70% effective November 1999. The City contribution changed from 20.05% to 18.05% effective November 1999.

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. The actuary of each plan has certified that the contribution commitment by the participants and the City provide an adequate financing arrangement. Contributions for fiscal year ended September 30, 2000, are as follows (in thousands):

	<b>City Employees</b>	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>Total (Memorandum Only)</b>
City	\$ 20,458	9,834	7,984	38,276
Employees	21,754	4,917	5,655	32,326
Total contributions	\$ 42,212	14,751	13,639	70,602

**c-- Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost of \$38,276,000 for fiscal year ended September 30, 2000, was equal to the City's required and actual contributions. Three-year trend information is as follows (in thousands):

	<b>City Employees</b>	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>Total (Memorandum Only)</b>
City's Annual Pension Cost (APC):				
1998	\$ 15,589	7,766	7,492	30,847
1999	17,513	8,907	7,722	34,142
2000	20,458	9,834	7,984	38,276
Percentage of APC contributed:				
1998	100%	100%	100%	N/A
1999	100%	100%	100%	N/A
2000	100%	100%	100%	N/A
Net Pension Obligation:				
1998	\$ --	--	--	--
1999	--	--	--	--
2000	--	--	--	--

**9 -- RETIREMENT PLANS, continued**

Actuarial valuations of the plans are performed every two years. Actuarial updates are done in each year following the full valuation. The latest actuarial valuations were completed as of December 31, 1999. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	<b>City Employees</b>	<b>Police Officers</b>	<b>Fire Fighters</b>
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	4%	4%	5.5%
Projected Annual Salary Increases	4.5% to 14.5%	6.6% average	7%
Post retirement benefit increase	None	None	3% effective January 1, 2001 through January 1, 2004 and, 0.5% annually thereafter
Assumed Rate of Return on Investments	8%	8.25%	8%
Amortization method	Level percent of projected pay, open	Level percent of projected pay, open	Level percent of projected pay, open
Remaining Amortization Period	0 years	8.5 years	0 years

**d -- Trend Information (Unaudited)**

Information pertaining to the latest actuarial valuations for each Plan is as follows (in thousands):

<b>Valuation Date, December 31st</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability (Excess)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Percentage of Unfunded Actuarial Accrued Liability (Excess) to Covered Payroll</b>
<b>City Employees</b>						
1993	\$ 579,100	541,200	(37,900)	107.0%	235,200	(16.1%)
1995	707,300	623,000	(84,300)	113.5%	221,000	(38.1%)
1997	856,423	832,140	(24,283)	102.9%	219,208	(11.1%)
1999	1,105,100	1,044,500	(60,600)	105.8%	244,500	(24.8%)
<b>Police Officers</b>						
1993	\$ 97,093	106,127	9,034	91.5%	34,550	26.1%
1995	127,572	164,865	37,293	77.4%	36,211	103.0%
1997	168,602	222,703	54,101	75.7%	47,189	114.6%
1999	226,913	257,850	30,937	88.0%	54,695	56.6%
<b>Fire Fighters</b>						
1993	\$ 175,612	193,343	17,731	90.8%	29,018	61.1%
1995	213,403	236,994	23,591	90.0%	32,496	72.6%
1997	268,241	279,472	11,231	96.0%	35,130	32.0%
1999	341,593	317,223	(24,370)	107.7%	38,690	(63.0%)

**10 -- SELECTED REVENUES**

**a -- Tobacco settlement revenues**

In 1999, the City of Austin participated in the Agreement Regarding Disposition of Tobacco Settlement Proceeds filed on July 24, 1998, in the case *The State of Texas v. The American Tobacco Co., et al.* Under the terms of the agreement, a political subdivision may receive a pro rata share of the annual distribution of settlement proceeds paid to the State of Texas. The total settlement amount for political subdivisions is approximately \$2.3 billion. During 2000, \$450 million was deposited into a lump sum account and distributed to local entities. The remainder of the settlement, approximately \$1.8 billion, was deposited into a permanent account with the State of Texas, and local entities will receive interest earnings from the investments of the account in amounts to be determined in the future.

The first distribution payment from the lump sum account occurred in January 1999, with the distribution based on the population of each entity in the 1990 federal census. The total amount distributed to local entities was approximately \$300 million. The City received proceeds of approximately \$8.1 million for 1999. Beginning in 2000, the annual distribution of settlement proceeds is based on unreimbursed health care expenditures, as defined in the settlement agreement. The City received proceeds of approximately \$1.8 million in 2000, which were reported in the Hospital Fund. The total distribution amount from the lump sum account was \$100 million in 2000 and will be \$50 million in 2001. Income earned in the permanent account will also be included in the April 2001 distribution, and will be the sole source of payments in subsequent years.

**b -- Rental revenues**

Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin to operate City-owned Brackenridge Hospital. This lease agreement qualifies as an operating lease for accounting purposes. In fiscal year 2000, the Hospital Fund revenues included minimum lease payments of \$1,864,764.

The City has entered into certain lease agreements as lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In fiscal year 2000, the Airport Fund revenues included minimum concession guarantees of \$6,888,161.

The following is a schedule by year of minimum future rentals on noncancelable operating leases up to a term of thirty years for the Hospital Fund and twenty years for the Airport Fund as of September 30, 2000. See Note 22 for an update subsequent to September 30th.

<b>Fiscal Year Ended September 30</b>	<b>Hospital Fund</b>	<b>Airport Fund</b>
2001	\$ 1,864,764	8,529,502
2002	1,864,764	8,564,372
2003	1,864,764	8,563,679
2004	1,864,764	8,036,266
2005	1,864,764	7,091,245
Thereafter	37,295,280	26,475,198
<b>Totals</b>	<b>\$ 46,619,100</b>	<b>67,260,262</b>



**11 -- GENERAL LONG-TERM DEBT**

**a -- General Obligation Debt -- Capital Projects Funding**

Capital projects funds are used to account for the acquisition and construction of general fixed assets. Capital projects are funded primarily by the issuance of general obligation debt, other tax supported debt, interest income and intergovernmental revenues.

General obligation debt is collateralized by the full faith and credit of the City and is reported as an obligation of the General Long-Term Debt Account Group (GLTDAG), except as described below. 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 fund fixed assets of proprietary funds is reported as an obligation of these proprietary 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 proprietary funds to meet the debt service requirements.

As described in Note 7, State Statute and the City Charter establish a practical limitation of \$1.50 per \$100 of assessed valuation on the debt service tax rate levied to service general obligation debt, including interest. The tax rate to finance the payment of principal and interest on general obligation long-term debt for the year ended September 30, 2000, was \$.1812 per \$100 assessed valuation. At September 30, 2000, allowable taxes related to debt service (assuming the rate of \$1.50 per \$100 assessed valuation) are approximately \$534,042,604, providing potential additional taxes for debt service of \$469,530,258 from the assessed valuation of \$35,602,840,326.

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The City is in compliance with all limitations and restrictions.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**11 -- GENERAL LONG-TERM DEBT, continued**

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, tax notes and assumed municipal utility district (MUD) bonds outstanding at September 30, 2000, including those reported in certain proprietary funds:

Series	Date Issued	Original Issue	Amount	Aggregate Interest	Interest Rates		Maturity Dates
			Outstanding at	Requirements at	Of Debt		
			September 30, 2000	September 30, 2000	Outstanding at September 30, 2000		
Series 1990A&B	January, 1990	\$ 122,368,632	\$ 25,505,000	\$ 3,915,038 (1)	6.00 - 7.00%	9/1/2001-2005	
Series 1991A	November, 1991	25,000,000	1,845,000	189,044 (1)	5.88 - 8.88%	9/1/2001-2002	
Assumed MUD Debt	December, 1991	1,995,000	810,000	269,100 (4)	6.02 - 6.40%	8/1/2001-2006	
Series 1992	May, 1992	114,856,765	69,000,000	15,618,390 (1)	5.80 - 6.25%	9/1/2001-2008	
Series 1992	October, 1992	52,490,000	8,000,000	1,195,500 (1)	5.40 - 7.25%	9/1/2001-2003	
Series 1992	October, 1992	5,405,000	775,000	67,406 (1)	5.50 - 5.75%	9/1/2001-2003	
Series 1993	February, 1993	71,600,000	63,575,000	19,528,810 (1)	5.00 - 5.75%	9/1/2001-2009	
Series 1993	October, 1993	25,000,000	20,100,000	7,204,948 (1)	4.13 - 4.75%	9/1/2001-2013	
Series 1993	October, 1993	6,435,000	5,175,000	1,854,936 (1)	4.13 - 4.75%	9/1/2001-2013	
Series 1993A	October, 1993	70,230,000	61,765,000	13,170,765 (1)	4.20 - 5.00%	9/1/2001-2010	
Series 1994	October, 1994	33,260,000	10,500,000	2,411,000 (1)	5.20 - 7.00%	9/1/2001-2007	
Series 1994	October, 1994	3,550,000	1,415,000	378,130 (1)	5.10 - 6.00%	9/1/2001-2008	
Series 1995	October, 1995	30,250,000	22,040,000	11,044,515 (1)	4.80 - 7.75%	9/1/2001-2013	
Series 1995	October, 1995	8,660,000	6,305,000	2,625,070 (1)	4.75 - 6.00%	9/1/2001-2013	
Series 1995	October, 1995	8,205,000	915,000	19,444 (2)	4.25%	11/1/2000	
Series 1996	October, 1996	30,550,000	13,725,000	6,681,150 (1)	4.50 - 6.00%	9/1/2001-2011	
Series 1996	October, 1996	11,755,000	6,380,000	619,133 (2)	4.50 - 4.80%	11/1/2000-2003	
Assumed MUD Debt	December, 1996	2,975,000	2,125,000	702,300 (4)	8.50 - 8.75%	8/1/2001 - 2006	
Taxable Series 1997	May, 1997	18,400,000	16,700,000	3,449,938 (1)	6.90 - 7.50%	3/1/2001-2004	
Series 1997	October, 1997	29,295,000	28,615,000	18,714,905 (1)	5.00 - 5.75%	9/1/2001-2017	
Series 1997	October, 1997	13,975,000	9,505,000	1,105,313 (2)	4.50%	11/1/2000-2004	
Series 1997	October, 1997	2,120,000	1,920,000	1,008,833 (1)	4.50 - 7.00%	9/1/2001-2017	
Assumed MUD Debt	December, 1997	33,680,000	29,090,000	20,959,703 (3)	4.40 - 10.50%	11/15/2000-2021	
Series 1998	January, 1998	110,300,000	110,090,000	56,058,383 (1)	3.70 - 5.25%	9/1/2003-2016	
Series 1998	October, 1998	13,430,000	13,430,000	8,497,223 (1)	4.40 - 7.13%	9/1/2001-2018	
Series 1998	October, 1998	22,770,000	21,495,000	11,205,843 (1)	4.10 - 7.00%	9/1/2001-2018	
Series 1998	October, 1998	14,975,000	12,730,000	1,688,822 (2)	3.90 - 4.50%	11/1/2000-2005	
Assumed MUD Debt	January, 1999	1,785,000	1,690,000	1,401,670 (1)	8.00 - 10.50%	9/1/2001-2016	
Series 1999	October, 1999	51,100,000	50,690,000	40,661,363 (1)	4.13 - 5.75%	9/1/2002-2019	
Series 1999	October, 1999	10,335,000	9,775,000	1,678,175 (2)	4.50 - 4.75%	11/1/2000-2006	
Series 1999	October, 1999	5,590,000	5,420,000	3,389,285 (1)	5.00 - 6.00%	9/1/2001-2019	
Total			\$ 631,105,000				

(1) Interest is paid semiannually on March 1 and September 1.

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

(3) Interest is paid four times a year on March 1, May 15, September 1, and November 15.

(4) Interest is paid on February 1 and August 1.

**11 -- GENERAL LONG-TERM DEBT, continued**

In October 1999, the City issued Public Improvement Bonds, Series 1999, in the amount of \$51,100,000. Of the proceeds from the issue, \$17,570,000 will be used for erosion and flood control, \$5,230,000 will be used for street improvements, \$9,815,000 will be used for public safety and radio trunking communications equipment, \$1,000,000 will be used for health facility improvement, \$1,800,000 will be used for cultural arts, \$3,950,000 will be used for libraries, and \$11,735,000 will be used for park improvements. These bonds will be amortized serially on September 1 of each year from 2000 to 2019. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2000. Total interest requirements for these bonds, at rates ranging from 4.13% to 5.75%, aggregate \$43,494,650.

In October 1999, the City issued Public Property Finance Contractual Obligations, Series 1999, in the amount of \$10,335,000. Of the proceeds from the issue, \$7,925,000 will be used for telecommunications and the radio trunking 911 system, \$1,195,000 will be used for water utility capital equipment, and \$1,215,000 will be used for wastewater utility capital equipment. These contractual obligations will be amortized serially May 1 and November 1 of each year from 2000 to 2006. The contractual obligations are not subject to optional redemption prior to their maturity. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2000. Total interest requirements for these contractual obligations at rates ranging from 4.5% to 4.75%, are \$1,996,383.

In October 1999, the City issued Certificates of Obligation, Series 1999, in the amount of \$5,590,000. Of the proceeds from the issue, \$2,080,000 will be used for solid waste services, \$1,110,000 will be used for golf course improvements, and \$2,400,000 will be used for improvements to Howard Lane. These certificates of obligation will be amortized serially September 1 from 2000 to 2019. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2000. Total interest requirements for these certificates of obligation at rates ranging from 5.0% to 6.0%, are \$3,697,233.

The following is a summary of general obligation bonds, certificates of obligation, contractual obligation and tax note transactions of the City (including those of certain enterprise funds) for the year ended September 30, 2000 (in thousands of dollars), excluding assumed tax and revenue bond principal of \$24,941,942 and Water and Wastewater note of \$120,000 and premiums/discounts of (\$343,000).

	<b>General Obligation Bonds and Other Tax Supported Debt</b>	
	<b>General Long-Term Debt Account Group</b>	<b>Proprietary Funds</b>
<b>Balance payable--September 30, 1999</b>	\$ 517,629	54,765
Debt issued:		
Parks and recreation	11,735	--
Golf course improvements	--	1,110
Street improvements	7,630	--
Libraries	3,950	--
Cultural Arts	1,800	--
Fleet/radio communications building	890	--
Erosion and flood control	17,570	--
Health Department safety and welfare renovations	1,000	--
Public Safety	8,925	--
Radio trunking for various departments	5,830	220
Solid Waste Department equipment	--	2,080
Information Systems Office equipment	--	1,875
Water and Wastewater Department equipment	--	2,410
Debt issued during the year	59,330	7,695
Debt retired during the year	(26,920)	(6,336)
<b>Balance payable--September 30, 2000</b>	<b>\$ 550,039</b>	<b>56,124</b>

General obligation bonds authorized and unissued amount to \$349,105,000 at September 30, 2000. Bond ratings at September 30, 2000, were Aa2 (Moody's Investor Service, Inc.), AA+ (Standard & Poor's) and AA+ (Fitch).

**11 -- GENERAL LONG-TERM DEBT, continued**

**b -- Other Long-Term Debt**

In addition to general obligation bonds, certificates of obligation, contractual obligations, and tax notes, the General Long-Term Debt Account Group includes all liabilities of the City (other than those reported in the proprietary funds) which are not due in the current period. Compensated absences liability was \$43,555,353 in 1999 and increased \$4,330,269 to a balance of \$47,885,622 in 2000. During 2000, the City had outstanding loans of \$10,219,164, and retired \$1,008,504, for a balance of \$9,210,660 at September 30, 2000.

**12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT**

**a -- Combined Utility Systems Debt -- General**

The City's Electric Fund and Water and Wastewater Fund comprise the "Combined Utility Systems," which issue Combined Utility Systems revenue bonds to fund Electric Fund and Water and Wastewater Fund capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of the Electric Fund and Water and Wastewater Fund. The following table summarizes Combined Utility Systems revenue bonds and other long-term financing transactions for the year ended September 30, 2000 (in thousands of dollars):

<b>Description</b> <b>(Net of discount and inclusive of premium)</b>	<b>Prior Lien</b> <b>Bonds</b>	<b>Subordinate</b> <b>Lien Bonds</b>	<b>Total</b>
Balance payable, October 1, 1999	\$ 2,005,137	363,942	2,369,079
Debt repaid, defeased, or refunded	(56,605)	(40,185)	(96,790)
Amortization of bond discount and premium	1,994	(170)	1,824
Balance payable, September 30, 2000	<u>\$ 1,950,526</u>	<u>323,587</u>	<u>2,274,113</u>

The total Combined Utility Systems revenue bond obligations at September 30, 2000, exclusive of discounts and premiums, consist of \$1,966,963,097 prior lien bonds and \$317,619,512 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are \$1,641,444,459 at September 30, 2000. Revenue bonds authorized and unissued amount to \$1,492,642,660 at that date. At September 30, 2000, Moody's Investors Service rated the prior lien and subordinate lien bonds A2, while Fitch rated them A. Standard and Poor's rated the prior lien A and the subordinate lien A-.

**b -- Combined Utility Systems Debt -- Revenue Bond Indenture Requirements**

The City is required by bond indentures to pledge the net revenues of the Combined Utility Systems for debt service, and is required to maintain debt service funds and bond reserve funds for all outstanding revenue bonds. The debt service funds, with assets of \$325,811,525 including accrued interest at September 30, 2000, are restricted within the utility systems and require that the net revenues of the systems, after operating and maintenance expenses are deducted, be irrevocably pledged by providing equal monthly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The bond reserve fund for revenue bond retirement, with assets of \$161,263,969 of investments at fair value at September 30, 2000, is also restricted within the utility systems. The City is required to maintain a combined reserve fund for the benefit of the holders of prior lien bonds and subordinate lien bonds, which must contain cash and investments of not less than \$85,000,000 and which shall be increased upon the issuance of any additional bonds to the greater of such amount or the average annual principal and interest requirements on all prior lien bonds and subordinate lien bonds. Additional amounts required to be deposited in the reserve fund must be funded from bond proceeds or accumulated in the reserve fund in equal monthly installments within 60 months from the date of delivery of the additional bonds.

The City also covenants under the bond indentures that the custodian of the reserve fund shall be an official City depository and investment of the reserve fund shall be in direct or guaranteed obligations of the United States of America (USA), including obligations guaranteed by the USA, and certificates of deposit of any bank or trust company, the deposits of which are fully secured by a pledge or obligation of the USA or guaranteed by the USA. The revenue bond indentures also provide for a number of other limitations and restrictions. The City is in compliance with all significant limitations and restrictions contained in the revenue bond indentures.

**12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued**

**c -- 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 the City's Electric Fund and Water and Wastewater Fund.

The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

Some of these bonds are callable prior to maturity at the option of the City. The term bonds are subject to a mandatory redemption prior to the maturity dates as defined in the respective official statements.

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 have been removed. 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 defeased bonds is recognized when funds from current operations are used.

**d -- Combined Utility Systems Debt -- Bonds Issued and Outstanding**

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 2000 (in thousands of dollars):

<b>Series</b>	<b>Bonds Dated</b>	<b>Original Amount Issued</b>	<b>Outstanding at September 30, 2000</b>
1982 Refunding	March 1982	\$ 598,000	\$ 55,265
1986A	April 1986	325,000	3,480
1986C	November 1986	137,915	2,780
1986 Refunding	March 1986	545,145	34,490
1987	May 1987	65,000	2,480
1989	July 1989	65,800	3,435
1990	August 1990	6,395	4,350
1990AB Refunding	February 1990	236,009	38,775
1991A Refunding	June 1991	57,080	35,035
1992 Refunding	March 1992	265,806	238,786
1992A Refunding	May 1992	351,706	317,826
1993 Refunding	February 1993	203,166	172,146
1993A Refunding	June 1993	263,410	198,401
1994	May 1994	3,500	2,925
1994 Refunding	October 1994	142,559	107,159
1995 Refunding	June 1995	151,770	46,670
1996AB Refunding	September 1996	249,235	247,895
1997 Refunding	August 1997	227,215	222,595
1998 Refunding	August 1998	180,000	177,160
1998A Refunding	August 1998	123,020	117,850
1998 Refunding	November 1998	245,315	245,080
1998	November 1998	10,000	10,000
			<u><u>\$ 2,284,583</u></u>

**12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued**

**e -- Combined Utility Systems Debt -- Commercial Paper Notes**

The City is authorized pursuant to Ordinance No. 961121-A adopted by the City Council on November 21, 1996, to issue commercial paper notes, (the "notes"), in an aggregate principal amount not to exceed \$350,000,000 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. At September 30, 2000, Moody's rated the notes P1, Fitch rated the notes F1+ and Standard and Poor's rated the notes A1+.

The notes will be 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 the City's electric fund and water and wastewater fund.

At September 30, 2000, the Electric Fund had outstanding commercial paper notes of \$202,300,467 (net of discount of \$511,533), and the Water and Wastewater Fund had \$142,952,000, of commercial paper notes outstanding. Interest rates on the notes range from 2.25% to 3.95%, and subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

**f -- Combined Utility Systems Debt -- Taxable Commercial Paper Notes**

The City is authorized pursuant to Ordinance No. 000629-90 adopted by the City Council on June 29, 2000, to issue taxable commercial paper notes, (the "taxable notes"), in an aggregate principal amount not to exceed \$160,000,000 outstanding at any one 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. At September 30, 2000, Moody's rated the notes P1, Fitch rated the notes F1+ and Standard and Poor's rated the notes A1+.

The taxable notes will be 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 the City's electric fund and water and wastewater fund.

At September 30, 2000, the electric fund had no outstanding taxable notes, and the water and wastewater fund had \$58,002,960 (net of discount of \$485,000 and inclusive of premium of \$2,960) of taxable notes outstanding. Interest rates on the taxable notes range from 5.55% to 7.07%. The City intends to refinance maturing commercial paper notes by issuing long-term debt.

**g -- Water and Wastewater System Revenue Debt -- General**

The City is authorized pursuant to Ordinance No. 0006008-56A adopted by the City Council in fiscal year 2000, to issue Water and Wastewater System revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Water and Wastewater Fund. The total Water and Wastewater System revenue bond obligations at September 30, 2000, are \$100,000,000 and aggregate interest requirements are \$118,432,323. At September 30, 2000, Moody's rated the bonds Aaa and Fitch and Standard and Poor's rated the bonds AAA.

**h -- Water and Wastewater System Revenue Debt -- Revenue Bond Indenture Requirements**

From July 18, 2000 forward, all revenue obligations, other than commercial paper obligations, to finance capital improvements for the water and wastewater system shall be payable from and secured only by a lien on and pledge of the net revenues of the water and wastewater system. Water and Wastewater System revenue debt is subject to the prior claim on and lien on the net revenues of the water and wastewater system for the payment of the Combined Utility System Debt (see note 12-a).

The City hereby provides that no additional revenue obligations shall be issued on parity with the Combined Utility System Debt.

**12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued**

**i -- Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues**

On July 18, 2000, the City delivered \$100,000,000 of the Water and Wastewater System Revenue Refunding Bonds, Series 2000. Proceeds from the bonds were used to convert \$99,200,000 of Combined Utility System Commercial Paper Notes, Series A then currently outstanding to long-term debt. The refunding resulted in future interest requirements of \$118,432,323. No economic gain or loss was recognized on this transaction. An accounting loss of \$5,027, which will be deferred and amortized in accordance with Statement of Financial Accounting Standards No. 71, was recognized on the refunding.

**j -- Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding**

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 2000 (in thousands of dollars):

<b>Series</b>	<b>Bonds Dated</b>	<b>Original Amount Issued</b>	<b>Outstanding at September 30, 2000</b>
2000 Refunding	June 2000	\$100,000	\$100,000

**k -- Water and Wastewater Fund -- Refunds Payable on Construction Contracts**

Refunds payable on construction contracts of approximately \$1,149,032 at September 30, 2000, excluding accrued interest, represent contractual obligations of the Water and Wastewater Fund to refund a percentage of certain construction costs incurred by developers. The contracts vary as to terms and conditions. Most of the contracts provide for the City to pay interest at 3% per annum on the unpaid balance. Generally, the Water and Wastewater Fund has agreed to pay annually to the developers a sum equal to 75% of the amount of revenues realized (based on rates in existence at the contract date) from sales and service relating to the water and wastewater facilities constructed by these developers. Such payments are made in March of each year based upon the revenues for the previous calendar year; however, the total number of payments is limited, ranging primarily from 20 to 25 years, at which time the unpaid principal balance, if any, reverts to the Water and Wastewater Fund as a contribution in aid of construction.

**l -- Airport -- General**

The City's Airport Fund issues Airport System revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. The following table summarizes Airport System revenue bonds for the year ended September 30, 2000 (in thousands of dollars):

<b>Description (Net of discount and loss on refunding)</b>	<b>Prior Lien Bonds</b>
Balance payable, October 1, 1999	\$ 383,413
Debt defeased	(19,530)
Amortization of bond discount and loss on refunding	594
Balance payable, September 30, 2000	<u>\$ 364,477</u>

The total Airport System obligation for prior lien bonds is \$374,245,000, exclusive of discount and loss on refunding, at September 30, 2000. Aggregate interest requirements for all prior lien bonds are \$382,159,266 at September 30, 2000. Revenue bonds authorized and unissued amount to \$735,795,000 at that date.

**12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued**

**m -- Airport -- Revenue Bond Indenture Requirements**

The City is required by bond indentures to pledge the net revenues of the Airport System for debt service, and is required to maintain a debt service fund and bond reserve fund for all outstanding revenue bonds. The debt service fund, with assets of \$8,977,073 including accrued interest at September 30, 2000, is restricted within the Airport System and requires that the net revenues of the airport, after operating and maintenance expenses are deducted, be irrevocably pledged by providing equal monthly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The City is also required to maintain a reserve fund for the benefit of the holders of prior lien bonds, which must contain cash and investments equal to the arithmetic average of the debt service requirements scheduled to occur in the then current and future fiscal years for all prior lien bonds then outstanding. The bond ordinance allows for the use of a debt service reserve fund surety bond in lieu of the cash deposit. The City holds a surety bond with a total benefit available of \$30,429,177. The City is in compliance with all significant limitations and restrictions contained in the revenue bond indentures available in the event a draw is necessary.

**n -- Airport Debt -- Revenue Bond Defeasance**

In August 2000, the City's Airport Fund defeased \$20,000,000 of Airport System Prior Lien Revenue Bonds, Series 1995A, with a \$20,317,123 cash payment. A total of \$20,268,973 was placed in an irrevocable escrow account and used to purchase U.S. government obligations to provide for all future debt service payments on the defeased bonds. The City is legally released from the obligations for the defeased debt and the liability has been removed. There was no economic gain or loss recognized on this transaction. An accounting loss of \$551,502 was recognized.

**o -- Airport Debt -- Bonds Issued and Outstanding**

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 2000 (in thousands of dollars):

<b>Series</b>	<b>Bonds Dated</b>	<b>Original Amount Issued</b>	<b>Outstanding at September 30, 2000</b>
1989	September 1989	\$ 30,000	\$ 1,000
1995A	August 1995	362,205	342,205
1995B Refunding	August 1995	31,040	31,040
			<u>\$ 374,245</u>

**p -- Airport Debt -- Variable Rate Revenue Notes**

The City is authorized to issue Airport System variable rate revenue notes, pursuant to Ordinance No. 950817B, as amended and restated by Ordinance 980205A adopted by the City Council on February 5, 1998. At September 30, 2000, the Airport System had outstanding variable rate revenue notes of \$28,000,000. The debt service fund required by the bond ordinance held assets of \$441,867 including accrued interest at September 30, 2000 and was restricted within the Airport System. During fiscal year 2000, interest rates on the notes ranged from 2.95% to 5.85%, adjusted weekly, and subsequent rate changes cannot exceed the maximum rate of 15%. Principal and interest on the notes are payable from the net revenues of the Airport System.



**12 -- ENTERPRISE FUNDS -- REVENUE BONDS AND OTHER LONG-TERM DEBT, continued**

**q -- Convention Center -- 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. The following table summarizes the Convention Center Fund revenue bonds for the year ended September 30, 2000 (in thousands of dollars):

<b>Description</b> <b>(Net of discount, premium and loss on refunding)</b>	<b>Prior Lien</b> <b>Bonds</b>	<b>Subordinate</b> <b>Lien Bonds</b>	<b>Total</b>
Balance payable, October 1, 1999	\$ 94,457	108,873	203,330
Debt issued	40,000	--	40,000
Debt repaid	(2,670)	--	(2,670)
Amortization of bond discounts, premiums, and loss on refunding	853	(9)	844
Balance payable, September 30, 2000	<u>\$ 132,640</u>	<u>108,864</u>	<u>241,504</u>

The total Convention Center obligation for prior and subordinate lien bonds is \$250,885,000, exclusive of discounts, premiums and loss on refunding, at September 30, 2000. Aggregate interest requirements for all prior and subordinate lien bonds are \$243,622,679 at September 30, 2000. Revenue bonds authorized and unissued amount to \$760,000 at September 30, 2000.

**r -- Convention Center -- Revenue Bond Issues and Indenture Requirements**

The City is required by bond indentures to pledge the hotel occupancy tax revenue for debt service, and is required to maintain a debt service fund and either a bond reserve fund or a debt service reserve fund surety bond. The Series 1993A and 1999 Refunding debt service fund, with assets of \$3,175,984 at September 30, 2000, is restricted within the Convention Center and requires that the pledged hotel occupancy revenues of the Convention Center be irrevocably pledged by providing quarterly installments that will accumulate to the semiannual principal and interest requirements as they become due. The 1993A and 1999 Refunding debt service reserve fund, with assets of \$6,914,551 at September 30, 2000, is required to maintain cash and investments that must equal the lesser of 10% of the principal amount or the maximum annual debt service requirement scheduled to occur in the current and each future fiscal year for all bonds outstanding. All other debt service requirements have been satisfied with the purchase of surety bonds. The City is in compliance with all significant limitations contained in the revenue bond indentures.

In November 1999, the City issued the Town Lake Community Events Center Venue Project Bonds, Series 1999, in the amount of \$40,000,000. The Series was issued to construct the Town Lake Community Events Center and a parking facility. The debt is secured and payable from the levy of the Special Motor Vehicle Rental Tax, a 5% tax on the gross rental receipts on the short-term motor vehicle rentals within the City. The City established a debt service fund, with assets of \$607,501 at September 30, 2000 to service principal and interest payments. The City maintains as a reserve requirement, a surety bond issued at the date of delivery of the bonds.

**s -- Convention Center Debt -- Bonds Issued and Outstanding**

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 2000 (thousands of dollars):

<b>Series</b>	<b>Bonds Dated</b>	<b>Original Amount</b> <b>Issued</b>	<b>Outstanding at</b> <b>September 30, 2000</b>
1993A	December 1993	\$ 75,955	\$ 70,070
1999 Refunding	June 1999	6,445	5,815
1999A	June 1999	25,000	25,000
1999	September 1999	110,000	110,000
1999	November 1999	40,000	40,000
			<u>\$ 250,885</u>

**13 -- CONDUIT DEBT**

**a -- Austin Housing Finance Corporation**

From time to time, the City has issued housing revenue bonds for the Austin Housing Finance Corporation (AHFC) to provide financial assistance to other entities for the acquisition and construction of housing facilities for low and moderate-income Austin residents. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Prior to September 30, 1997, AHFC issued ten series of housing finance bonds. The aggregate principal amount payable of these bonds could not be determined; however, their original issue amounts totaled \$203.8 million.

In December 1999, AHFC issued \$9.4 million of tax exempt debt and \$270,000 of taxable debt, which was still outstanding at September 30, 2000. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**b -- Austin Industrial Development Corporation**

From time to time, the City has issued industrial revenue bonds for the Austin Industrial Development Corporation (AIDC) to provide financial assistance to other entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Prior to September 30, 1997, 24 series of AIDC industrial revenue bonds had been issued. The aggregate principal amount payable of these bonds could not be determined; however, their original issue amounts totaled \$106.4 million.

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**c -- Austin-Bergstrom International Airport Development Corporation**

To provide for the construction of certain facilities at the Austin-Bergstrom International Airport (ABIA), the City has issued industrial revenue bonds for the ABIA Development Corporation. The bonds are special limited obligations payable solely from and secured by a pledge of rentals to be received from lease agreements between the City and certain entities operating at the Airport. In November 1999, the City issued \$4.9 million of revenue bonds to refinance the construction of a portion of the air cargo facility.

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The following table summarizes bonds issued and outstanding at September 30, 2000 (in thousands of dollars):

<b>Series</b>	<b>Bonds Dated</b>	<b>Original Amount Issued</b>	<b>Outstanding at September 30, 2000</b>
1996	September 15, 1996	\$ 11,710	\$ 11,600
1996	October 1, 1996	7,500	7,500
1998	December 8, 1998	8,800	8,800
1999	June 1, 1999	4,400	4,400
1999	November 15, 1999	4,850	4,850
			<u>\$ 37,150</u>

**13 -- CONDUIT DEBT, continued**

**d -- Austin-Bergstrom Landhost Enterprises, Inc.**

To provide for the cost of acquiring, improving, and equipping a full service hotel facility at the airport, in 1999, the City issued \$38.79 million senior revenue bonds and \$3.73 million subordinate revenue bonds for Austin-Bergstrom Landhost Enterprises, Inc. This amount is outstanding at September 30, 2000. The bonds are special limited obligations of the Corporation, payable solely from and secured by a pledge of revenues generated by the hotel. These bonds do not constitute a debt or pledge of the Airport System, nor of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements.

**e -- Rental Car Facility Trust Indenture**

To provide for the costs of design, acquisition, construction and equipping of rental car facilities at the Austin-Bergstrom International Airport, the City has issued rental car special facilities revenue bonds. The bonds are limited special obligations payable solely from and secured by a pledge of the Trust Estate, including revenues to be received from parking garage rentals, supplemental facilities fees, contract facility charges paid by concessionaires to the trustee and investment earnings from amounts held by the trustee. Bonds issued and outstanding at September 30, 2000 were \$21.05 million. The bonds do not constitute a debt or pledge of the Airport System revenues nor of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**14 -- DEBT SERVICE REQUIREMENTS**

The following is a schedule of General Obligation Bonds and Other Tax Supported Debt requirements for the General Long-Term Debt Account Group (in thousands):

Fiscal Year Ended September 30	General Obligation Bonds (1)			Public Property Finance Contractual Obligations			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 34,914	27,435	62,349	7,615	1,644	9,259	1,960	2,150	4,110
2002	37,877	25,756	63,633	7,160	1,320	8,480	2,050	2,032	4,082
2003	37,130	23,611	60,741	7,680	994	8,674	2,180	1,909	4,089
2004	39,581	21,438	61,019	7,225	650	7,875	2,020	1,777	3,797
2005	41,768	18,889	60,657	5,550	350	5,900	2,135	1,660	3,795
Thereafter	316,383	93,751	410,134	4,075	153	4,228	32,160	11,023	43,183
	<u>507,653</u>	<u>210,880</u>	<u>718,533</u>	<u>39,305</u>	<u>5,111</u>	<u>44,416</u>	<u>42,505</u>	<u>20,551</u>	<u>63,056</u>

Fiscal Year Ended September 30	Tax Notes			Total		
	Principal	Interest	Total	Principal	Interest	Total
2001	1,300	1,117	2,417	45,789	32,346	78,135
2002	1,500	1,017	2,517	48,587	30,125	78,712
2003	1,900	900	2,800	48,890	27,414	76,304
2004	12,000	416	12,416	60,826	24,281	85,107
2005	--	--	--	49,453	20,899	70,352
Thereafter	--	--	--	352,618	104,927	457,545
	<u>16,700</u>	<u>3,450</u>	<u>20,150</u>	<u>606,163</u>	<u>239,992</u>	<u>846,155</u>

	Less: Amounts reported in Enterprise Funds	(48,897)	(17,755)	(66,652)
	Amounts reported in Internal Service Funds	(7,227)	(1,857)	(9,084)
Total requirements reported in other funds		(56,124)	(19,612)	(75,736)
General Long-Term Debt Account Group requirements at September 30, 2000		<u>\$ 550,039</u>	<u>220,380</u>	<u>770,419</u>

- (1) Excludes \$7,305,000 principal and \$4,277,661 interest for the HUD Section 108 Loan (Central City Entertainment Center) and \$1,905,660 principal and \$157,056 interest for the Municipal Energy Conservation Loan and \$4,318,000 advances from other funds.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**14 -- DEBT SERVICE REQUIREMENTS, continued**

The following summarizes the proprietary funds debt service requirements at September 30, 2000 (in thousands):

Fiscal Year Ended September 30	Commercial Paper Notes (1)			Revenue Notes (2)		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 404,249	4,270	408,519	--	1,680	1,680
2002	--	--	--	--	1,680	1,680
2003	--	--	--	--	1,680	1,680
2004	--	--	--	--	1,680	1,680
2005	--	--	--	--	1,680	1,680
Thereafter	--	--	--	28,000	21,000	49,000
	<u>404,249</u>	<u>4,270</u>	<u>408,519</u>	<u>28,000</u>	<u>29,400</u>	<u>57,400</u>
Less: Unamortized bond discount	(997)	--	(997)			
Unamortized loss on bond refundings	--	--	--			
Add: Unamortized bond premium	3	--	3			
Net debt service requirements	<u>403,255</u>	<u>4,270</u>	<u>407,525</u>			

Fiscal Year Ended September 30	General Obligation Bonds and Other Tax Supported Debt (3)			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2001	7,609	4,676	12,285	104,302	168,097	272,399
2002	6,740	4,516	11,256	105,222	173,498	278,720
2003	6,705	4,210	10,915	90,526	164,011	254,537
2004	6,765	3,896	10,661	133,036	148,738	281,774
2005	6,658	3,405	10,063	152,691	135,900	288,591
Thereafter	46,708	16,252	62,960	2,423,935	1,595,416	4,019,351
	<u>81,185</u>	<u>36,955</u>	<u>118,140</u>	<u>3,009,712</u>	<u>2,385,660</u>	<u>5,395,372</u>
Less: Unamortized bond discount	(349)	--	(349)	(57,593)	--	(57,593)
Unamortized loss on bond refundings	(380)	--	(380)	(8,623)	--	(8,623)
Add: Unamortized bond premium	387	--	387	36,597	--	36,597
Net debt service requirements	<u>\$ 80,843</u>	<u>36,955</u>	<u>117,798</u>	<u>2,980,093</u>	<u>2,385,660</u>	<u>5,365,753</u>

(continued)

- (1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.
- (2) These are variable rate notes with 6% interest.
- (3) Includes assumed tax and revenue bond principal of \$24,941,942 and interest of \$17,344,025 and \$120,000 of Water and Wastewater notes payable.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**14 -- DEBT SERVICE REQUIREMENTS, continued**

Fiscal Year Ended September 30	Water Improvement District Bonds			Municipal Utility District Contract Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 366	37	403	6,930	5,791	12,721
2002	353	19	372	6,730	5,352	12,082
2003	35	3	38	7,540	4,919	12,459
2004	35	1	36	8,190	4,433	12,623
2005	--	--	--	8,925	3,898	12,823
Thereafter	--	--	--	57,200	9,979	67,179
	<u>789</u>	<u>60</u>	<u>849</u>	<u>95,515</u>	<u>34,372</u>	<u>129,887</u>
Less: Unamortized bond discount				(330)	--	(330)
Unamortized loss on bond refundings				--	--	--
Add: Unamortized bond premium				--	--	--
Net debt service requirements				<u>95,185</u>	<u>34,372</u>	<u>129,557</u>

Fiscal Year Ended September 30	Total Debt Service Requirements		
	Principal	Interest	Total
2001	523,456	184,551	708,007
2002	119,045	185,065	304,110
2003	104,806	174,823	279,629
2004	148,026	158,748	306,774
2005	168,274	144,883	313,157
Thereafter	<u>2,555,843</u>	<u>1,642,647</u>	<u>4,198,490</u>
	3,619,450	2,490,717	6,110,167
Less: Unamortized bond discount	(59,269)	--	(59,269)
Unamortized loss on bond refundings	(9,003)	--	(9,003)
Add: Unamortized bond premium	36,987	--	36,987
Net debt service requirements	<u>\$ 3,588,165</u>	<u>2,490,717</u>	<u>6,078,882</u>

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**14 -- DEBT SERVICE REQUIREMENTS, continued**

The following summarizes the proprietary funds debt service requirements at September 30, 2000 by fund (in thousands):

Fiscal Year Ended September 30	Electric (1)			Water and Wastewater (2)		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 286,849	87,032	373,881	229,862	57,202	287,064
2002	80,786	89,125	169,911	28,565	56,038	84,603
2003	67,543	83,476	151,019	24,880	52,028	76,908
2004	91,797	70,552	162,349	40,422	49,640	90,062
2005	100,625	59,577	160,202	51,059	47,653	98,712
Thereafter	1,038,946	522,671	1,561,617	883,017	644,114	1,527,131
	1,666,546	912,433	2,578,979	1,257,805	906,675	2,164,480
Less: Unamortized bond discount	(24,703)	--	(24,703)	(23,443)	--	(23,443)
Unamortized loss on bond refundings	--	--	--	--	--	--
Add: Unamortized bond premium	26,564	--	26,564	9,661	--	9,661
	1,668,407	912,433	2,580,840	1,244,023	906,675	2,150,698

Fiscal Year Ended September 30	Solid Waste Services			Airport		
	Principal	Interest	Total	Principal	Interest	Total
2001	1,592	1,055	2,647	234	24,533	24,767
2002	1,359	976	2,335	3,484	24,436	27,920
2003	1,390	902	2,292	5,840	24,177	30,017
2004	1,405	827	2,232	7,370	23,802	31,172
2005	1,251	753	2,004	7,764	23,352	31,116
Thereafter	14,051	4,469	18,520	378,798	291,577	670,375
	21,048	8,982	30,030	403,490	411,877	815,367
Less: Unamortized bond discount	(17)	--	(17)	(8,098)	--	(8,098)
Unamortized loss on bond refundings	(247)	--	(247)	(1,678)	--	(1,678)
Add: Unamortized bond premium	123	--	123	--	--	--
	\$ 20,907	8,982	29,889	393,714	411,877	805,591

(continued)

(1) Included in the debt service requirements of Electric is \$202,812,000 principal and \$2,195,831 interest for commercial paper notes.

(2) Included in the debt service requirements of Water and Wastewater is \$201,437,000 principal and \$2,073,831 interest for commercial paper notes.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**14 -- DEBT SERVICE REQUIREMENTS, continued**

Fiscal Year Ended September 30	Convention Center			Drainage		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 2,997	13,799	16,796	167	145	312
2002	3,146	13,649	16,795	180	133	313
2003	3,315	13,487	16,802	194	119	313
2004	5,275	13,269	18,544	217	104	321
2005	6,131	12,976	19,107	227	88	315
Thereafter	230,581	176,639	407,220	1,413	472	1,885
	251,445	243,819	495,264	2,398	1,061	3,459
Less: Unamortized bond discount	(2,999)	--	(2,999)	--	--	--
Unamortized loss on bond refundings	(6,945)	--	(6,945)	--	--	--
Add: Unamortized bond premium	563	--	563	--	--	--
	242,064	243,819	485,883	2,398	1,061	3,459

Fiscal Year Ended September 30	Transportation			Golf		
	Principal	Interest	Total	Principal	Interest	Total
2001	111	23	134	438	439	877
2002	117	18	135	452	416	868
2003	123	13	136	492	393	885
2004	130	7	137	459	367	826
2005	67	1	68	498	344	842
Thereafter	--	1	1	6,604	1,991	8,595
	548	63	611	8,943	3,950	12,893
Less: Unamortized bond discount	--	--	--	(7)	--	(7)
Unamortized loss on bond refundings	--	--	--	(65)	--	(65)
Add: Unamortized bond premium	--	--	--	54	--	54
	\$ 548	63	611	8,925	3,950	12,875

(continued)



**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**14 -- DEBT SERVICE REQUIREMENTS, continued**

Fiscal Year Ended September 30	Fleet Maintenance			Support Services		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$ 130	101	231	1,076	222	1,298
2002	74	95	169	882	179	1,061
2003	79	90	169	950	138	1,088
2004	88	85	173	863	95	958
2005	94	79	173	558	59	617
Thereafter	1,583	542	2,125	850	172	1,022
	2,048	992	3,040	5,179	865	6,044
Less: Unamortized bond discount	--	--	--	(2)	--	(2)
Unamortized loss on bond refundings	(15)	--	(15)	(53)	--	(53)
Add: Unamortized bond premium	4	--	4	18	--	18
	2,037	992	3,029	5,142	865	6,007

Fiscal Year Ended September 30	Total Debt Service Requirements		
	Principal	Interest	Total
2001	523,456	184,551	708,007
2002	119,045	185,065	304,110
2003	104,806	174,823	279,629
2004	148,026	158,748	306,774
2005	168,274	144,883	313,157
Thereafter	2,555,843	1,642,647	4,198,490
	3,619,450	2,490,717	6,110,167
Less: Unamortized bond discount	(59,269)	--	(59,269)
Unamortized loss on bond refundings	(9,003)	--	(9,003)
Add: Unamortized bond premium	36,987	--	36,987
	\$ 3,588,165	2,490,717	6,078,882

15 -- INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2000, are as follows:

	<u>Current</u> <u>Due From</u> <u>Other Funds</u>	<u>Long-Term</u> <u>Advance To</u> <u>Other Funds</u>
<b>RECEIVABLES:</b>		
<b>Special Revenue Funds</b>		
Other Special Revenue Funds:		
Receivable from Other Special Revenue Funds	\$ 16,453,847	--
<b>Debt Service Funds</b>		
Receivable from General Fund	13,229	--
<b>Capital Projects Funds</b>		
Capital Projects Funds Prior to 1984:		
Receivable from Capital Projects Funds Prior to 1984	92,542	--
Capital Projects Funds 1984:		
Receivable from Capital Projects Funds Prior to 1984	77,650	--
Receivable from Capital Projects Funds 1984	344,296	--
Capital Projects Funds 1992:		
Receivable from Agency Funds	3,885	--
Capital Projects Funds 1998:		
Receivable from Capital Project Funds 1998	8,661,570	--
Other Funds:		
Receivable from Other Funds	7,571,101	--
<b>Enterprise Funds</b>		
Electric (Restricted):		
Receivable from Solid Waste Services	12,385	--
Receivable from Airport	1,455	--
Receivable from Drainage	3,045	--
Internal Service Funds:		
Receivable from Fleet Maintenance	13,875	--
Receivable from Support Services	124,932	--
Water and Wastewater (Restricted):		
Receivable from Solid Waste Services	10,225	--
Receivable from Airport	1,201	--
Receivable from Drainage	2,514	--
Internal Service Funds:		
Receivable from Fleet Maintenance	11,455	--
Receivable from Support Services	203,337	268,722
Airport (Restricted):		
Receivable from General Long Term		
Debt Group	--	4,318,000
<b>Total Receivables</b>	<u><u>\$ 33,602,544</u></u>	<u><u>4,586,722</u></u> (continued)

15 -- INTERFUND RECEIVABLES AND PAYABLES, continued

	Current Due To Other Funds	Long-Term Advance From Other Funds
<b>PAYABLES:</b>		
<b>General Fund</b>		
Payable to Debt Service Funds	\$ 13,229	--
<b>Special Revenue Funds</b>		
Federal Grants:		
Payable to Other Special Revenue Funds	10,163,890	--
State Grants:		
Payable to Other Special Revenue Funds	1,372,092	--
Other Special Revenue Grants:		
Payable to Other Special Revenue Funds	126,894	--
Other Special Revenue Funds:		
Payable to Other Special Revenue Funds	4,790,971	--
<b>Capital Projects Funds</b>		
Capital Projects Funds prior to 1984:		
Payable to Capital Projects Prior to 1984	92,542	--
Payable to Capital Projects 1984	77,650	--
Capital Projects Funds 1984:		
Payable to Capital Project Funds 1984	344,296	--
Capital Project Funds 1998:		
Payable to Capital Projects Funds 1998	8,661,570	--
Capital Projects Funds Other Funds:		
Payable to Capital Projects Funds Other Funds	7,571,101	--
<b>Enterprise Funds</b>		
Solid Waste Services:		
Payable to Electric	12,385	--
Payable to Water and Wastewater	10,225	--
Airport:		
Payable to Electric	1,455	--
Payable to Water and Wastewater	1,201	--
Drainage:		
Payable to Electric	3,045	--
Payable to Water and Wastewater	2,514	--
<b>Internal Service Funds</b>		
Fleet Maintenance:		
Payable to Electric	13,875	--
Payable to Water and Wastewater	11,455	--
Support Services:		
Payable to Electric	124,932	--
Payable to Water and Wastewater	203,337	268,722
<b>Trust and Agency Funds</b>		
Agency Funds:		
Payable to Capital Projects Funds	3,885	--
<b>General Long Term Debt Group</b>		
Payable to Airport	--	4,318,000
<b>Total Payables</b>	<u>\$ 33,602,544</u>	<u>4,586,722</u>

16 -- INTERFUND TRANSFERS

a -- Interfund Transfers

Operating transfers between funds during the year were as follows:

Operating Transfers In	Operating Transfers Out	Amount
<b>General Fund</b>	Enterprise Funds: Electric	\$ 61,200,000
	Water and Wastewater	17,151,603
		<u>78,351,603</u>
<b>Special Revenue Funds - Other:</b>		
Balcones Canyonlands Conservation Plan	General Fund	160,000
	Enterprise Funds: Drainage	413,098
Barton Springs Conservation	General Fund	45,000
Environmental Remediation	Enterprise Funds: Water and Wastewater	75,000
	Solid Waste	75,000
	Drainage	75,000
Federally Qualified Health Center	Special Revenue Funds: Disproportionate Share	892,034
	Enterprise Funds: Hospital	6,880,538
Fee Waiver	General Fund	7,000
Neighborhood Housing and Conservation	General Fund	1,475,624
PARC-Cultural Projects	Special Revenue Funds: Hotel-Motel Occupancy Tax	3,359,576
Planning, Environmental & Conservation Services	General Fund	4,183,441
Public Improvement District	Enterprise Funds: Water and Wastewater	75,000
	Convention Center	70,000
Strategic Planning Investment	General Fund	1,504,813
Tourism and Promotion	General Fund	125,382
	Special Revenue Funds: Hotel-Motel Occupancy Tax	4,640,111
Voluntary Utility Assistance	General Fund	160,000
		<u>24,216,617</u>
<b>Debt Service Funds:</b>		
General Obligation Debt Service	Special Revenue Funds: Balcones Canyonlands Conservation Plan	13,228
	Federally Qualified Health Center	52,419
	One Texas Center	2,201,975
	Capital Project Funds: Interest Income	840,000
HUD Section 108 Loans	Special Revenue Funds: Neighborhood Housing and Conservation	333,604
		<u>\$ 3,441,226</u>

(continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**16 -- INTERFUND TRANSFERS, continued**

<b>Operating Transfers In</b>		<b>Operating Transfers Out</b>	<b>Amount</b>
<b>Capital Projects Funds</b>		General Fund	\$ 20,152,798
	Enterprise Fund	Hospital	300,000
	Special Revenue Funds:	Disproportionate Share	300,000
	Capital Project Funds:	Neighborhood parks and recreation	174,000
		Cultural arts	968,428
		General government projects	3,455,576
		Interest Income	6,641,154
			<u>31,991,956</u>
<b>Enterprise Funds:</b>			
Solid Waste Services	General Fund		353,020
	Special Revenue Funds:	Environmental Remediation	150,000
Convention Center	Special Revenue Funds:	Hotel-Motel Occupancy Tax	20,758,242
		Vehicle Rental Tax	1,711,113
Drainage	General Fund		1,826,504
	Capital Project Funds:	General government projects	310,000
			<u>25,108,879</u>
<b>Internal Service Funds:</b>			
Support Services	Capital Project Funds:	Interest Income	<u>1,260,000</u>
<b>Trust and Agency Funds-</b>			
<b>Expendable Trusts:</b>			
First Step-A Community Project	General Fund		300,000
Housing Trust Social Equity	General Fund		1,000,000
			<u>1,300,000</u>
<b>Total Operating Transfers</b>			<u><u>\$ 165,670,281</u></u>

**b -- Residual Equity Transfers**

Residual equity transfers between funds are listed below. Proprietary fund transfers are reported in the financial statements as residual equity transfers or as contributions, as appropriate under generally accepted accounting principles.

	<b>Residual Equity Transfers In</b>	<b>Residual Equity Transfers Out</b>
<b>Governmental funds</b>		
General Fund	\$ 250,594	--
Special Revenue Funds:		
Other Special Revenue Funds:		
Disproportionate Share	--	139,155
Planning, Environmental and Conservation Services	--	250,594
<b>Proprietary funds</b>		
Enterprise Funds:		
Hospital	139,155	--
	<u>\$ 389,749</u>	<u>389,749</u>

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**September 30, 2000**

**CITY OF AUSTIN, TEXAS**  
**(Continued)**

**17 -- SEGMENT INFORMATION**

**a -- Enterprise Fund Activities**

The City maintains ten enterprise funds, which provide electric, water and wastewater, hospital, solid waste services, airport, convention center, drainage, transportation, golf, and parks and recreation activities. Segment information for the year ended September 30, 2000, is as follows (in thousands of dollars):

	Electric Fund	Water & Wastewater Fund	Hospital Fund	Solid Waste Services Fund	Airport Fund	Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	\$ 782,729	240,479	8,160	35,785	72,425	9,649	49,140	1,198,367
Depreciation and amortization expense	82,044	51,348	2,091	1,928	16,162	2,611	1,890	158,074
Operating income (loss)	281,320	95,698	4,582	2,298	23,046	(5,321)	2,617	404,240
Operating transfers in	--	--	--	503	--	22,469	2,137	25,109
Operating transfers out	(61,200)	(17,302)	(7,181)	(75)	--	(70)	(487)	(86,315)
Net income (loss)	136,223	45,886	(681)	2,567	4,434	14,757	5,433	208,619
Current assets	232,075	48,385	26,891	11,673	4,961	14,944	11,453	350,382
Current liabilities	78,727	21,154	121	4,067	3,658	1,269	4,452	113,448
Net working capital surplus	153,348	27,231	26,770	7,606	1,303	13,675	7,001	236,934
Property, plant and equipment:								
Additions	175,395	146,340	6	10,915	23,571	25,158	9,977	391,362
Retirements	(16,937)	(2,875)	--	(564)	(45)	(55)	(205)	(20,681)
Net property, plant and equipment	1,793,980	1,577,250	43,560	35,941	609,715	120,184	56,883	4,237,513
Total assets	3,001,685	2,135,313	77,446	60,440	719,954	313,751	96,951	6,405,540
Bond, restricted, and other long-term liabilities	1,910,942	1,334,247	--	27,381	417,583	251,441	14,038	3,955,632
Current capital contributions	2,470	31,325	139	--	11,209	--	2,308	47,451
Total equity	1,012,016	779,911	77,325	28,992	298,713	61,041	78,461	2,336,459

**b -- Proprietary Fund Contributed Capital**

The following table summarizes activity in contributed capital for the year ended September 30, 2000:

	Balance September 30, 1999	Contribution Type			Depreciation Taken	Balance September 30, 2000
		(To) From Municipality	From Other Governments	In Aid of Construction		
<b>Enterprise Funds:</b>						
Electric	\$ 65,827,364	--	--	2,470,173	(3,231,610)	65,065,927
Water and Wastewater	332,917,350	--	--	31,325,020	(13,386,389)	350,855,981
Hospital	12,615,015	139,155	--	--	--	12,754,170
Solid Waste Services	1,372,233	--	--	--	--	1,372,233
Airport	143,371,075	621	9,151,312	2,057,226	(2,277,339)	152,302,895
Convention Center	21,671,698	--	--	--	(65,494)	21,606,204
Drainage	28,702,689	--	--	2,307,646	--	31,010,335
Transportation	331,206	--	--	--	--	331,206
Golf	848,680	--	--	--	--	848,680
Parks and Recreation	1,069,976	--	--	--	--	1,069,976
<b>Internal Service Funds:</b>						
Fleet Maintenance	20,692,253	6,775,999	--	--	--	27,468,252
Support Services	6,896,544	--	--	--	--	6,896,544
Employee Benefits	9,244,036	--	--	--	--	9,244,036
Workers' Compensation	2,443,283	--	--	--	--	2,443,283
Radio Communication	56,255	--	--	--	--	56,255
Infrastructure Support Services	343,005	--	--	--	--	343,005
Capital Projects Management	28,300	--	--	--	--	28,300
<b>Total</b>	<b>\$ 648,430,962</b>	<b>6,915,775</b>	<b>9,151,312</b>	<b>38,160,065</b>	<b>(18,960,832)</b>	<b>683,697,282</b>

**18 -- JOINT OPERATIONS**

The City has entered into several participating agreements on joint projects. As required by generally accepted accounting principles, such joint operations have been evaluated to determine if they fall within the definition of the reporting entity. The following joint operations meet the criteria of an undivided interest as defined in GASB Statement 14 and, accordingly, the City's share of assets, liabilities, and expenses is included in the City's financial statements.

**a -- Fayette Power Project**

The Fayette Power Project (the "Project", Units I and II) is jointly owned by the City and the Lower Colorado River Authority (LCRA, Project Manager) -- each participant has an undivided interest in the Project. The Project is a joint operation of two coal-fired electric power generation units with a net capacity of 1,140 megawatts. Each participant's actual equity in the Project may vary from 50% depending on the percentage of kilowatt hours produced by the Project and used by each.

The Project is governed by a management committee whose four members are administratively appointed, two each, by the participants. As managing partner, LCRA is responsible for the operation of the Project and appoints the Project's management. However, the City has the ability to influence significantly the operation of the Project through approval of major contracts and new major expenditures by its appointees to the management committee. Each participant issued its own debt to finance its share of construction costs. The City's portion is financed through revenue bonds to be repaid by the Electric Fund. In addition, each participant has the obligation to finance its portion of any deficits that may occur.

The following is a summary of financial information taken from the Project's audited financial statements, dated June 30, 2000, and 1999, the Project's fiscal year end (in thousands of dollars). These statements include Unit III, which is 100% owned by LCRA. These statements were not examined by the City's auditors.

	June 30, 2000			June 30, 1999		
	Total	COA	LCRA	Total	COA	LCRA
Assets	\$ 62,897	26,536	36,361	66,531	29,450	37,081
Liabilities	14,412	5,275	9,137	15,573	5,700	9,873
Equity	48,485	21,261	27,224	50,958	23,750	27,208
Revenues	1,538	361	1,177	1,385	309	1,076
Expenses	150,069	52,712	97,357	144,400	49,418	94,982
Net expenses incurred	\$ 148,531	52,351	96,180	143,015	49,109	93,906

Financial reports that include financial statements and supplementary information for the Fayette Power Project are publicly available at the LCRA, 3700 Lake Austin Blvd., Austin, TX 78703. Their telephone number is (512) 473-3200.

**b -- South Texas Project**

The South Texas Project (STP) was formed for the purpose of licensing, constructing and operating two 1,250 megawatt nuclear generating units. The City was admitted to the STP in December 1973, with a 16% ownership in generating units and common facilities. The City is a tenant-in-common with Reliant Energy, Inc. (formerly Houston Lighting and Power Company or HL&P), City Public Service of San Antonio (CPS), and Central Power and Light Company (CP&L).

On October 1, 1997 the STP Nuclear Operating Company (OPCO) was formed by the owners of STP and replaced HL&P as the project manager. OPCO is a separate entity formed to manage STP. Each participant appoints one member to the board of directors of OPCO. There is also an owner's committee, and each participant appoints one member to the owner's committee. A member of the owner's committee may serve on the board of directors in the absence of a board member. OPCO, serving as project manager, is responsible for the operation and maintenance of the project as well as capital improvements. Each participant is responsible for its debt related to STP. The City's portion is financed through revenue bonds or commercial paper, which are repaid by the Electric Fund (see Note 12). In addition, each participant has the obligation to finance any deficits that may occur.

The City's portion of Units 1 and 2 of the South Texas Project is classified as plant in service. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

**18 -- JOINT OPERATIONS, continued**

The following is a summary of financial information taken from the South Texas Project's audited financial statements dated December 31, 1999 (in thousands of dollars). These statements were not examined by the City's auditors.

	<b>Reliant</b>	<b>CPS</b>	<b>CP&amp;L</b>	<b>Austin</b>	<b>Total</b>
Operations	\$ 109,323	99,449	89,406	56,791	354,969
Spent fuel	5,712	5,163	4,548	2,919	18,342
Total 1999 funding	<u>\$ 115,035</u>	<u>104,612</u>	<u>93,954</u>	<u>59,710</u>	<u>373,311</u>

Financial reports that include financial statements and supplementary information for the STP are publicly available at the STP Nuclear Operating Company, P.O. Box 289, Wadsworth, TX 77483. Their telephone number is (361) 972-7067.

**c -- South Texas Project Decommissioning**

The South Texas Project (STP) is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant operating license submit information to the NRC indicating the minimum amount of funds that will be required to decommission the plant while demonstrating reasonable assurance that sufficient funds are being accumulated to provide the minimum amount at the time the plant is decommissioned. This minimum amount must be adjusted annually in accordance with an adjustment factor as required by the NRC. At September 30, 2000 and 1999, the City had funded its share of the estimated decommissioning liability as follows:

	<b>2000</b>	<b>1999</b>
Estimated cost to decommission STP	\$200,423,996	\$190,572,684
Restricted decommissioning fund assets	63,515,224	53,655,752

The City of Austin and other STP participants have provided the required information to the NRC, and the City of Austin has established an external irrevocable trust for decommissioning and has been collecting through its rates since 1989 sufficient amounts to provide for its share of the estimated decommissioning costs. For fiscal years 2000 and 1999, the City collected \$4,958,221 in each year for decommissioning expenses.

**d -- Sandhill Power Project**

The City has entered into a Participation Agreement with Enron Sandhill Limited Partnership, hereinafter referred to as "Enron", providing for the construction, operation, and maintenance of jointly owned and operated electric generation facilities. The facilities will be located on a site owned by Austin Energy in Travis County, Texas and known as the Sandhill Power Project (the Project). Four separate gas turbine electric generating units, with a combined capacity of 180 megawatts (MW) will be constructed at the Project.

Regardless of the participants' respective expenditures for the construction and operation of the Project, each participant, upon achieving completion of the Project on the date of firm operation, shall own and have undivided ownership interest in the Project with the other participant, except that Enron shall have no ownership in the plant site. Austin Energy's ownership interest percentage shall be 91.4% and Enron's ownership interest percentage shall be 8.6%. On November 3, 2003, Austin Energy shall purchase from Enron, and Enron shall sell and transfer to Austin Energy, Enron's ownership interest in the Project.

From the date of firm operation until the date on which Austin Energy purchases Enron's ownership interest in the Project, Enron shall be entitled (at all times) to the first 25 megawatts of the available net output from each generating unit. Austin Energy will be entitled to the balance of the output from each generating unit.

The Project is governed by a management committee which is composed of one representative of each participant and an alternate for each such representative, each of whom shall be designated by the participant represented, by written notice to the other participant. The Chair of the management committee shall be the representative from Austin Energy. As the chair, the Austin Energy representative shall be responsible for setting the agenda, date, and time for each meeting of the management committee after consulting with Enron. The Project development manager shall be Enron. The Project operations manager shall be Austin Energy. At September 30, 2000, the City incurred construction costs of \$38 million for the Project.



**18 -- JOINT OPERATIONS, continued**

**e -- Municipal Utility Districts**

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 serves the MUDs and surrounding areas. These additions and improvements are funded by the issuance of City contract revenue bonds, whose principal and interest are payable primarily from the net revenues of the Water and Wastewater Fund.

The City reports the bond proceeds as "investment in municipal utility districts" on the balance sheet of the Water and Wastewater Fund. As facilities funded by the contract revenue bonds are completed, the City's investment in municipal utility districts is reduced and plant in service is increased. The City records the contract revenue bonds as a liability on the balance sheet of the Water and Wastewater Fund.

**f -- Brushy Creek**

The City, the Lower Colorado River Authority (LCRA), and the Brazos River Authority (BRA) each own an undivided interest in the Brushy Creek Regional Wastewater System. This facility serves the upper Brushy Creek watershed in Williamson County. The Brazos River Authority operates the system. The City has undivided interest in certain assets of \$4.7 million at Brushy Creek at September 30, 2000.

**g -- Rivercrest Water Supply Corporation**

Upon annexation, in December 1997, of Davenport Ranch Municipal Utility District ("Davenport MUD"), the City assumed a cost sharing agreement with Davenport MUD, Davenport Limited, Rivercrest Water Supply Corporation and Loop 360 Water Supply Corporation. The agreement allocates the costs, based on capacity allocations, of operating a private water treatment facility servicing the Davenport MUD and the other participants' service areas. ST Environmental is under contract to operate the water treatment facility. The City may amend this arrangement in the future to provide for facility improvements that will allow the customers to be served by the City's system. The City incurred expenses of \$546,000 during the fiscal year.

**19 -- LITIGATION**

**a -- Water and Wastewater Litigation**

The City is involved in a number of lawsuits involving the operation of its water and wastewater system. Some of the cases involve failure to provide sewer service on a timely basis; some small lawsuits involve various property claims. The City believes these suits will not have a material effect on these financial statements.

**b -- Other Litigation**

A number of claims 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 the settlement of these claims and pending litigation will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 2000. These liabilities include amounts for lawsuits settled subsequent to year end.

**20 -- COMMITMENTS AND CONTINGENCIES**

**a -- Certificates of Participation**

The City has entered into several capital lease arrangements through the issuance of Certificates of Participation as follows:

\$23,060,000	Certificates of Participation, City of Austin, Texas Electric Utility Office Project, Series 1987;
\$14,000,000	Certificates of Participation, City of Austin, Texas Water and Wastewater Utility Office Project, Series 1987;

**20 -- COMMITMENTS AND CONTINGENCIES, continued**

The certificates represent proportionate interests in lease payments to be made by the City to a third-party lessor. The City has title to the office projects, pursuant to general warranty deeds; however, the trustee maintains a vendor's lien and superior title to the properties until all sums due are paid in full.

The City's obligations under the lease agreements are subject to and dependent upon annual appropriations by the City Council and do not obligate the City to levy or pledge any form of taxation. Thus the certificates are treated as capital lease obligations rather than long-term bonds and are recorded as a liability in the funds.

The following table presents information regarding these certificates:

<b>Description</b>	<b>Electric Fund Office Project (1)</b>	<b>Water and Wastewater Fund Office Project (1)</b>
Date issued	February 1987	August 1987
Amount issued	\$23,060,000	\$14,000,000
Interest rates	4.00% - 7.00%	5.25% - 8.00%
Interest payable on	March 15 and September 15	May 15 and November 15
Maturity dates	September 15 1988 - 2007	November 15 1989 - 2007
Present value of lease payments	\$11,410,000	\$8,225,000
Reserve Fund (2)	\$ 2,000,000	\$1,250,000

(1) Subject to mandatory redemption upon the occurrence of certain events.

(2) Held by trustee, to be used to make final payments.

**b -- Federal and State Financial Assistance Programs**

The City participates in a number of federal and state financial assistance programs. The programs are subject to audit by the granting agencies to determine if activities comply with conditions of the grant. Management believes that no material liability will arise from any such audits.

**c -- Arbitrage Rebate Payable**

The City's financial advisor has determined that the City may have earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations, which may have to be rebated to the Federal government. Estimated amounts payable at September 30, 2000, as arbitrage rebates are \$870,000 for the enterprise funds and \$2,028,000 for the capital projects funds which are recorded as liabilities of these funds.

**d -- Capital Improvement Plan**

As required by the City Charter, the City has a *Five Year Capital Improvement Plan* that is an anticipated spending plan for projects in the upcoming year (a *Capital Budget*) as well as for future years. The City's 2001 Capital Budget includes new appropriations of \$502,328,527 for the City's enterprise funds and \$114,884,666 for general government projects and appropriation reductions of \$12,656,315 for the enterprise funds and \$4,205,364 for general government projects. The City has substantial contractual commitments relating to its capital improvement plan.

**20 -- COMMITMENTS AND CONTINGENCIES, continued**

**e -- Operating lease with Daughters of Charity Health Services of Austin**

Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin ("Seton"). Under the terms of the lease, Seton will operate City-owned Brackenridge Hospital and will provide all necessary medical services for all residents of Austin regardless of their ability to pay. The City will fund these services through payments to Seton for three programs. Under the Charity Care Program, the City will reimburse Seton up to a maximum of \$5.6 million annually for providing care to the medically indigent; provided, however, that Seton must first satisfy its requirement under State law to provide charity care in the amount of 4% of net revenues. Under the Medical Assistance Program, the City will pay Seton a maximum of approximately \$7.5 million beginning February 2001 (adjusted annually for the next 4 years) for providing services to patients enrolled in the City's Medical Assistance Program. For FY 2000, expenditures were \$6.4 million. Under the Physician Services Program, the City will pay Seton approximately \$5.3 million annually (adjusted annually for each of the next five years) for providing physician services to patients in the first two programs. For FY 2000, expenditures were \$5.2 million.

**f -- 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 FM812) 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, the City reports in the Solid Waste Services Fund a portion of these closure and postclosure care costs as an operating expense in each period, based on landfill capacity used as of each balance sheet date. The \$6,700,886 reported as accrued landfill closure and postclosure costs at September 30, 2000, represents the cumulative amount reported to date based on the use of 77.5% of the estimated capacity of the landfill. The Solid Waste Services Fund will recognize the remaining estimated cost of closure and postclosure care of \$1,945,419 as the remaining estimated capacity is filled over the next eleven years. The total estimated costs of \$8,646,305 include costs of closure in 2010 of \$2,241,912 and postclosure costs over the subsequent thirty years of \$6,404,393. These amounts are based on what it would cost to perform all closure and postclosure care in 2000. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

State and federal laws to demonstrate financial assurance for closure, postclosure, and/or corrective action became effective in April 1997. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

**g -- 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:

<u>Fund name</u>	<u>Description</u>
Employee Benefits	Approximately 22% of City employees use one of three HMOs; approximately 78% use the City's program, which is self-insured. In addition, retirees may choose from three HMOs, one Medicare Risk Program and a PPO. Premiums are charged to other City funds through a charge per employee per pay period.
Liability Reserve	Self-insured. Includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. Premiums are charged to other City funds each year based on historical costs.
Workers' Compensation	Self-insured. Premiums are charged to other City funds each year based on historical costs.

**20 -- COMMITMENTS AND CONTINGENCIES, continued**

The City purchases stop loss insurance for the City's self-funded Medical Plan. This stop loss insurance covers individual claims that exceed \$150,000 per calendar year, up to a maximum of \$1 million. During fiscal year 2000, four claims exceeded the stop loss limit of \$150,000; six claims exceeded the stop loss limit in fiscal year 1999; and one exceeded the limit in fiscal year 1998. City coverage is limited to \$1 million in lifetime benefits. The City does not purchase stop loss insurance for workers' compensation claims.

The City purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bond, and airport operations. The City also purchases a broad range of insurance coverage through the Rolling Owner Controlled Insurance Program (ROCIP). The program provides auto and commercial general liability coverage for the City and for contractors working at selected capital improvement sites; it also provides workers' compensation, employers' liability, and excess liability for contractors at these sites. The City purchases excess liability coverage for the Electric Fund and the Airport Fund. The City also purchases medical malpractice insurance coverage for physicians in the City's Health and Human Services Department and Primary Care Department clinics. None of the policies had claims settlements in excess of insurance coverage. The City does not participate in a risk pool. There are no significant reductions in insurance coverage in fiscal year 2000.

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 (IBNRs). Claim liabilities for the Employee Benefits Fund are calculated considering recent claim settlement trends; liabilities for the Liability Reserve Fund and Workers' Compensation Fund are calculated based on outstanding claims. The amount to be paid out ultimately may be more or less than the amount accrued at September 30, 2000. The possible range of loss is \$22.1 - \$34.7 million. The City contributes amounts to an internal service fund based on an estimate of the cost of claims expected to be incurred each year.

Changes in the balances of claims liability are as follows:

	<b>Employee Benefits</b>	<b>Liability Reserve</b>	<b>Workers' Compensation</b>
September 30, 1998 liability balances	\$2,538,000	13,273,027	3,890,000
Claims and changes in estimates	2,584,000	3,237,183	2,307,899
Claims payments	2,101,000	4,012,883	2,043,899
September 30, 1999 liability balances	3,021,000	12,497,327	4,154,000
Claims and changes in estimates	4,024,000	2,704,957	5,482,962
Claims payments	3,308,000	3,160,196	3,289,962
September 30, 2000 liability balances	\$3,737,000	12,042,088	6,347,000

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of \$6,223,000 discounted at 5.74% in 2000 and \$6,766,000 discounted at 5.85% in 1999.

**h -- Developer Reimbursement Claims**

The City is in the process of reviewing claims made by the developers of the MUDs annexed in December 1998 and 1999. These claims are for reimbursement of costs incurred to construct water and wastewater facilities and related infrastructure, and are subject to verification from the engineering and accounting consultants performing the technical reviews. The City and developers agreed to settle the claims for \$12.9 million after September 2000.

**i -- Environmental Remediation Contingencies**

The Electric Fund may incur potential costs related to environmental remediation of certain sites including the Seaholm Power Plant, and the statements include a liability of \$1.9 million at September 30, 2000. This amount includes the cost of penalties associated with an Environmental Protection Agency (EPA) PCB inspection and estimated remaining costs for the remediation of the contaminated sites. The Electric Fund anticipates payment of these costs in 2001.

**20 -- COMMITMENTS AND CONTINGENCIES, continued**

In addition, on April 29, 1999, the EPA issued an Administrative Order to the Water and Wastewater Utility concerning wastewater overflow issues. The Administrative Order requires the Utility to conduct studies of its wastewater collection system and to eliminate overflows by December 2007 by making necessary improvements that will require capital investment for the repair and/or rehabilitation of the collection system infrastructure. When the studies are complete the utility will be able to estimate the cost of the improvements. Currently, the Utility is complying with all requirements of the Administrative Order. On October 29, 1999, The EPA and the Utility executed a Consent Order assessing an administrative penalty of \$21,000 to the Utility for past overflows from its collection system; the penalty was paid in fiscal year 2000.

The Airport Fund may also incur potential costs related to environmental remediation of certain sites, and has recorded in these financial statements an estimated liability of \$4.4 million.

**j -- Downtown Development Projects**

In February 2000, the City and Computer Sciences Corporation (CSC) formally entered into a long-term lease agreement. The City will lease three downtown blocks to CSC for 99 years, which CSC will use to construct their downtown corporate headquarters facility. Additionally, the City will construct an adjoining new City Hall and public plaza. The new City Hall will include a new Council Chambers and other public meeting rooms. The agreement stipulates that the City will reimburse CSC for the construction costs of retail space within the CSC facility in an amount not to exceed \$6.8 million. Additionally, upon inception of construction for each leased block, CSC has the right to prepay the retail lease amount to the City at a total present value cost of \$11,900,000 (approximately \$3.9 million per block). If CSC elects to prepay this lease amount, the City is obligated to prepay the lease at a total present value cost of \$2.4 million. During fiscal year 2000, CSC prepaid the lease for two of the three blocks for \$7.9 million and the City also prepaid the lease amount of \$2.4 million for the retail space. These amounts were recorded as revenue and expense respectively, in the capital project funds.

In May 2000, the City approved a resolution authorizing the negotiation and execution of certain agreements with Intel Corporation to construct office buildings on downtown property under the City's Smart Growth Initiative. The cost of the incentive and deferred cost package was for a total amount not to exceed approximately \$15 million. Construction began in September 2000, and is expected to be completed in the summer of 2002.

**k -- Other Commitments and Contingencies**

The City is committed under various leases for building and office space, tracts of land and rights of way, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expense for the year ended September 30, 2000, amounted to \$15,570,849. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments for these leases should be approximately the same amount.

The City has entered into certain lease agreements, including the certificates of participation, as lessee for financing the purchase of equipment used in the Electric Fund and Water and Wastewater Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following summarizes utility assets recorded at September 30, 2000, under capital lease obligations:

	<b>Electric</b>	<b>Water &amp; Wastewater</b>	<b>Total</b>
<b>Assets</b>			
Building	\$ 20,198,960	12,750,000	32,948,960
Accumulated depreciation	(6,898,608)	(3,181,416)	(10,080,024)
Net assets	<u>\$ 13,300,352</u>	<u>9,568,584</u>	<u>22,868,936</u>

In addition, the Airport Fund will acquire assets for air freight and cargo facilities under a capital lease agreement when the payment of \$7,500,000 is made in September 2001.

**20 -- COMMITMENTS AND CONTINGENCIES, continued**

The following is an analysis of the future minimum lease payments under these capital leases and Certificates of Participation and the present value of the net minimum lease payments, as of September 30, 2000:

<b>Fiscal Year Ended September 30</b>	<b>Electric</b>	<b>Water and Wastewater</b>	<b>Aviation</b>	<b>Total</b>
2001	\$ 2,119,635	1,393,775	7,935,000	11,448,410
2002	2,119,535	1,406,194	--	3,525,729
2003	2,116,900	1,387,931	--	3,504,831
2004	2,116,200	1,389,216	--	3,505,416
2005	2,113,150	1,384,350	--	3,497,500
Later years	4,225,650	4,131,437	--	8,357,087
Total minimum lease payments	14,811,070	11,092,903	7,935,000	33,838,973
Less:				
Amount representing interest	3,401,070	2,867,903	435,000	6,703,973
Present value of net minimum lease payments	11,410,000	8,225,000	7,500,000	27,135,000
Current portion	1,325,000	775,000	--	2,100,000
Long-term portion	\$ 10,085,000	7,450,000	7,500,000	25,035,000

The City guarantees certain energy improvement loans made by a bank. The maximum contingent liability of the RMD Loan Fund, a special revenue fund, is \$3.7 million, which City management does not anticipate having to fulfill.

The City has entered into an agreement with the Federal Aviation Administration regarding the development of new facilities exclusively for the use of the State Pooling Board of Austin-Bergstrom International Airport. The construction of these facilities was paid for from the Aviation Fund, which receives Federal airport grant assistance. The Aviation Fund was partially reimbursed for the \$4.8 million in construction costs with \$1.4 million that was received by the City from the Austin Museum of Art, Inc. for land conveyed to the City from the State of Texas. Additionally, land at the City's former airport site(Mueller) received Federal grant assistance. Repayment of these amounts will be made from the City to the Aviation Fund over a period of 5-7 years. The Aviation Fund has recorded a corresponding interfund receivable in the amount of \$4.3 million.

To comply with Federal Aviation Administration (FAA) requirements, the City stopped sending household garbage to the City's landfill site near Austin-Bergstrom International Airport. The landfill site continues to accept nonbird attracting waste, and the FAA has agreed to this approach. With the closing of the City landfill for household garbage, the City has entered into long-term contracts for household waste disposal.

**21 -- OTHER POST-EMPLOYMENT BENEFITS**

In addition to making contributions to the three pension systems, the City provided certain other post-employment benefits to its retirees. Other post-employment benefits include access to medical and dental insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only.

All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical and dental plan(s) in which they participate. Eligible dependents of the retiree include a legally married spouse, unmarried children under age 19 (under age 24 if an eligible student) who are dependent upon the retiree for support including natural children, stepchildren, legally adopted children, children for whom the retiree has obtained court-ordered guardianship/conservatorship, qualified children placed pending adoption, and grandchildren who qualify as a dependent on the retiree's or retiree's spouse's federal income tax return, and eligible disabled children. A surviving spouse of a deceased retiree may continue medical coverage until the date the surviving spouse remarries. A surviving spouse of a deceased retiree may continue dental coverage for 36 months by paying the entire premium plus a two-percent administrative fee. Other surviving dependents of a deceased retiree may continue medical and dental coverage for 36 months by paying the entire premium plus a two-percent administrative fee.

The City is under no obligation, statutory or otherwise, to offer other post-employment benefits or to pay any portion of the cost of other post-employment benefits to any retirees. Allocation of City funds to pay other post-employment benefits or to make other post-employment benefits available is determined on an annual basis by the City Council as part of the budget process.

The City pays a portion of the retiree's medical insurance premium and a portion of the retiree's dependents' medical insurance premium. The portion paid by the City varies according to age, coverage selection, and years of service. The percentage of the medical insurance premium paid by the City ranges as follows:

<u>Years of Service</u>	<u>Retiree only</u>	<u>Dependent only</u>
Less than 5 years	7% - 20%	4% - 9%
5 to 10 years	11% - 30%	6% - 14%
10 to 15 years	18% - 50%	11% - 23%
15 to 20 years	25% - 70%	15% - 32%
Greater than 20 years	36% - 100%	21% - 45%

The City pays 100% of the retiree's life insurance premium. Group dental coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental premium.

Other post-employment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as payroll expense/expenditure in an operating fund with corresponding revenue in the Employee Benefits Fund. Medical and dental premiums and claims and life insurance premiums are reported in the Employee Benefits Fund. The cost of providing these benefits for 2,050 retirees and 9,320 active employees in 2000 and 1,930 retirees and 9,020 active employees in 1999 is not separable and cannot be reasonably estimated. Total payments to the Employee Benefits Fund for retirees and active employees were \$31,479,028 in 2000 and \$27,394,366 in 1999.

As more fully described in Note 18, the City is a participant in the South Texas Project Nuclear Operating Company (OPCO) and as such is liable for certain post-employment benefits for OPCO employees. At December 31, 1999, the City's portion of this obligation, \$3,313,088, is not reflected in the financial statements of the Electric Fund.

**22 -- SUBSEQUENT EVENTS**

**a -- Vignette Corporation**

In December 2000, the City approved a resolution authorizing the negotiation and execution of certain agreements necessary to implement a Master Development Agreement with the Vignette Corporation under the City's Smart Growth Initiative. This action was taken to encourage the relocation of Vignette's world headquarters to the City of Austin's Desired Development Zone in downtown Austin. The project is planned to house 2,300 employees at completion. An ordinance waiving an estimated \$4.5 million in development fees and permits was also approved. Additionally, future economic development grants were approved for payment to Vignette for Waller Creek improvements, purchases of rights of way, easement dedication, and infrastructure improvement and a public-private partnership related to improving air quality. These future payments have a net present value of \$20.5 million.

**b -- General Obligation Bonds Issuance**

In October 2000, the City issued Public Improvement Bonds, Series 2000, in the amount of \$52,930,000. Of the proceeds from the issue, \$5,745,000 will be used for libraries, \$1,000,000 will be used for asbestos abatement, \$26,345,000 will be used for street improvements, \$6,910,000 will be used for park and recreation facilities, \$10,990,000 will be used for an emergency center and \$1,940,000 will be used for police forensics. These bonds will be amortized serially on September 1 of each year from 2001 to 2020. Certain of these bonds are callable beginning September 1, 2010. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2001. Total interest requirements for these bonds, at rates ranging from 4.35% to 6.0%, are \$43,353.038.

**c -- Certificates of Obligation Issuance**

In October 2000, the City issued Certificates of Obligation, Series 2000, in the amount of \$6,060,000. Of the proceeds from the issue, \$2,160,000 will be used for developer reimbursements, and \$3,900,000 will be used for land conservation. These certificates of obligation will be amortized serially September 1 of each year from 2001 to 2020. Certain of these obligations are callable beginning September 1, 2010. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2001. Total interest requirements for these obligations, at rates ranging from 5.0% to 5.38%, are \$3,920,300.

**d -- Electric Utility System Revenue Bond Refunding Issue**

In February 2001, the City issued \$126,700,000 of Electric Utility System Revenue Refunding Bonds, Series 2001. Proceeds from the bonds were used to convert \$125,000,000 of Combined Utility System Commercial Paper Notes, Series A, then currently outstanding to long-term debt. The refunding resulted in future interest requirements to service the debt of \$136,721,544. No economic gain or loss was recognized on this transaction. No accounting gain or loss was realized on this transaction.

**e -- Other**

On November 9, 2000, the City approved an amendment to the lease agreement between the City and The Daughters of Charity Health Services of Austin. The amendment to the lease agreement allows a reduction of rent payments in fiscal year 2001 by \$1,000,000 to be used for expanded facilities and services at Brackenridge Hospital and Children's Hospital of Austin.



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**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2000**  
**With comparative totals for September 30, 1999**

	Electric	Water and Wastewater	Hospital	Solid Waste Services
<b>ASSETS</b>				
Current assets:				
Cash	\$ 17,000	10,450	--	2,550
Pooled investments and cash	5,857,629	18,390,335	26,475,083	6,854,546
Working capital advances	2,424,361	--	--	--
Accounts receivable	118,667,356	29,742,717	3,984,418	4,952,345
Less allowance for doubtful accounts	(3,876,309)	(1,061,719)	(3,568,885)	(136,513)
Net accounts receivable	114,791,047	28,680,998	415,533	4,815,832
Receivable from other governments	--	--	--	--
Due from other funds	--	--	--	--
Inventories, at cost	45,494,603	694,471	--	--
Prepaid expenses and other assets	63,490,164	608,733	--	--
Total current assets	232,074,804	48,384,987	26,890,616	11,672,928
Restricted assets:				
Revenue note current debt service account	--	--	--	--
Revenue bond current debt service account	72,363,738	31,694,682	--	--
Revenue bond future debt service account	221,753,105	--	--	--
Revenue bond retirement reserve account	110,124,628	51,139,341	--	--
Construction account	60,538,991	79,203,086	--	12,649,614
Due from other funds	155,692	228,732	--	--
Advances to other funds	--	268,722	--	--
Decommissioning account	63,515,224	--	--	--
Capital improvement account	--	--	--	--
Operating reserve account	--	--	--	--
Hotel occupancy tax account	--	--	--	--
Renewal and replacement account	--	--	--	--
Investments and cash held by trustee	2,009,056	16,388,910	1,995,720	--
Nuclear fuel inventory acquisition account	33,473,935	--	--	--
Mueller disposition account	--	--	--	--
Customer and escrow deposits	3,233,803	2,759,794	5,000,000	139,619
Other restricted accounts	--	--	--	3,922
Total restricted assets	567,168,172	181,683,267	6,995,720	12,793,155
Fixed assets, at cost:				
Property, plant and equipment in service	2,642,600,458	2,036,746,504	74,793,203	39,316,231
Less accumulated depreciation	(1,048,947,313)	(546,547,319)	(31,233,236)	(24,120,255)
Net property, plant and equipment in service	1,593,653,145	1,490,199,185	43,559,967	15,195,976
Construction in progress	151,085,316	87,050,413	--	20,745,445
Nuclear fuel, net of amortization	17,862,325	--	--	--
Plant held for future use	31,378,983	--	--	--
Net property, plant and equipment	1,793,979,769	1,577,249,598	43,559,967	35,941,421
Investment in municipal utility districts	--	2,107,665	--	--
Intangible assets, net of amortization	--	97,500,000	--	--
Other long-term assets	1,326,942	--	--	--
Deferred costs and expenses, including bond issue cost, net of amortization	407,135,288	228,387,411	--	32,561
<b>Total assets</b>	<b>\$3,001,684,975</b>	<b>2,135,312,928</b>	<b>77,446,303</b>	<b>60,440,065</b>

See accompanying independent auditor's report.

**CITY OF AUSTIN, TEXAS**  
**Exhibit F-1**

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals	
						2000	1999
7,250	2,000	700	800	1,300	--	42,050	40,600
--	13,328,267	1,270,524	3,884,931	1,080,415	676,786	77,818,516	132,213,100
--	123,841	--	--	--	--	2,548,202	3,081,418
5,103,019	833,658	2,795,858	1,770,883	--	400	167,850,654	128,725,932
(150,000)	(43,875)	(98,961)	(226,922)	--	--	(9,163,184)	(9,483,313)
4,953,019	789,783	2,696,897	1,543,961	--	400	158,687,470	119,242,619
--	698,954	--	--	--	--	698,954	--
--	--	--	--	--	--	--	45,988
--	--	--	212,654	--	--	46,401,728	49,953,529
1,200	1,107	64,487	--	19,270	--	64,184,961	11,614,720
4,961,469	14,943,952	4,032,608	5,642,346	1,100,985	677,186	350,381,881	316,191,974
441,867	--	--	--	--	--	441,867	439,715
8,977,073	5,674,152	--	--	--	--	118,709,645	114,578,685
--	--	--	--	--	--	221,753,105	205,440,280
--	6,914,551	--	--	--	--	168,178,520	167,412,168
45,748,486	147,466,015	26,274,883	26,405	2,284,556	--	374,192,036	390,321,664
--	--	--	--	--	--	384,424	384,424
4,318,000	--	--	--	--	--	4,586,722	653,146
--	--	--	--	--	--	63,515,224	53,655,752
17,985,262	--	--	--	--	--	17,985,262	14,950,917
6,752,050	10,757,236	--	--	--	--	17,509,286	17,509,286
--	2,076,499	--	--	--	--	2,076,499	1,989,916
10,000,000	1,043,578	--	--	--	--	11,043,578	11,197,233
--	--	--	--	--	--	20,393,686	24,657,907
--	--	--	--	--	--	33,473,935	31,366,762
2,616,040	--	--	--	--	--	2,616,040	22,507
204,975	861,114	--	--	--	--	12,199,305	15,879,334
10,153,059	--	--	--	--	--	10,156,981	11,079,341
107,196,812	174,793,145	26,274,883	26,405	2,284,556	--	1,079,216,115	1,061,539,037
681,077,907	115,058,302	21,240,331	7,291,534	12,486,524	148,249	5,630,759,243	5,349,452,767
(112,163,234)	(23,036,156)	(4,161,661)	(3,600,510)	(3,216,035)	(42,930)	(1,797,068,649)	(1,650,864,797)
568,914,673	92,022,146	17,078,670	3,691,024	9,270,489	105,319	3,833,690,594	3,698,587,970
40,800,037	28,161,630	25,524,340	778,595	435,017	--	354,580,793	270,613,277
--	--	--	--	--	--	17,862,325	19,969,499
--	--	--	--	--	--	31,378,983	32,653,983
609,714,710	120,183,776	42,603,010	4,469,619	9,705,506	105,319	4,237,512,695	4,021,824,729
--	--	--	--	--	--	2,107,665	2,431,398
--	--	--	--	--	--	97,500,000	--
--	--	--	--	--	--	1,326,942	1,450,616
2,399,332	3,829,932	4,384	1,536	21,816	--	641,812,260	632,572,463
724,272,323	313,750,805	72,914,885	10,139,906	13,112,863	782,505	6,409,857,558	6,036,010,217

(continued)

**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2000**  
**With comparative totals for September 30, 1999**

	Electric	Water and Wastewater	Hospital	Solid Waste Services
<b>LIABILITIES AND FUND EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 64,143,793	1,910,899	41,921	868,289
Accrued payroll	1,482,800	873,703	109	297,718
Accrued compensated absences	5,291,695	3,100,178	1,518	863,371
Construction contracts payable	--	1,074,032	--	--
Contract revenue bonds payable	--	6,930,000	--	--
Due to other governments	--	--	--	--
Due to other funds	--	--	--	22,610
Interest payable on other debt	1,700,837	4,391,600	--	131,409
Deferred revenue	--	959,058	77,603	--
General obligation bonds payable and other tax supported debt	--	--	--	1,592,153
Water improvement district bonds payable	--	366,000	--	--
Capital lease obligations payable	1,325,001	775,000	--	--
Other liabilities	4,782,848	773,601	--	291,640
Total current liabilities	78,726,974	21,154,071	121,151	4,067,190
Liabilities payable from restricted assets:				
Accounts and retainage payable	13,169,280	17,842,533	--	998,970
Accrued interest payable	30,902,270	17,342,913	--	--
General obligation bonds payable and other tax supported debt	313,336	3,375,467	--	--
Revenue bonds payable within one year	83,724,067	17,633,298	--	--
Capital lease obligations payable	--	--	--	--
Customer deposits	1,741,433	644,103	--	139,619
Escrow deposits	1,492,370	2,115,691	--	--
Decommissioning expense payable	63,515,224	--	--	--
Nuclear fuel expense payable	33,473,935	--	--	--
Other liabilities	--	--	--	--
Total liabilities payable from restricted assets	\$ 228,331,915	58,954,005	--	1,138,589

See accompanying independent auditor's report.

**CITY OF AUSTIN, TEXAS**  
**Exhibit F-1**  
**(Continued)**

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals	
						2000	1999
2,105,461	828,251	892,907	771,272	239,135	26,719	71,828,647	41,519,489
244,380	93,046	216,640	135,567	47,812	19,591	3,411,366	9,025,047
700,147	245,615	644,011	394,287	129,473	39,205	11,409,500	11,878,802
--	--	--	--	--	--	1,074,032	109,776
--	--	--	--	--	--	6,930,000	6,245,000
--	--	--	--	--	--	--	493,009
2,656	--	5,559	--	--	--	30,825	30,825
11,272	--	19,928	10,266	36,553	--	6,301,865	4,120,244
349,469	--	--	--	--	--	1,386,130	1,197,993
233,949	51,909	166,557	217,739	438,216	--	2,700,523	2,664,569
--	--	--	--	--	--	366,000	307,000
--	--	--	--	--	--	2,100,001	1,965,001
10,886	50,002	--	--	63	189	5,909,229	8,904,914
3,658,220	1,268,823	1,945,602	1,529,131	891,252	85,704	113,448,118	88,461,669
2,946,649	3,227,606	2,001,572	--	4,439	--	40,191,049	38,345,426
8,626,864	5,155,121	--	--	--	--	62,027,168	67,868,043
--	--	--	--	--	--	3,688,803	3,576,237
--	2,945,000	--	--	--	--	104,302,365	99,460,312
7,500,000	--	--	--	--	--	7,500,000	--
204,975	861,114	212,380	--	--	--	3,803,624	2,861,183
--	--	--	--	--	--	3,608,061	9,073,640
--	--	--	--	--	--	63,515,224	53,655,752
--	--	--	--	--	--	33,473,935	31,366,762
4,542,323	--	--	--	--	--	4,542,323	12,430,152
23,820,811	12,188,841	2,213,952	--	4,439	--	326,652,552	318,637,507

(continued)

**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2000**  
**With comparative totals for September 30, 1999**

	Electric	Water and Wastewater	Hospital	Solid Waste Services
<b>LIABILITIES AND FUND EQUITY, CONTINUED</b>				
Long-term liabilities:				
Accrued compensated absences payable	\$ 3,482,851	1,281,177	--	226,384
Construction contracts payable	--	75,000	--	--
Contract revenue bonds payable, net of discount	--	88,254,611	--	--
Advances from other funds	--	--	--	--
Capital appreciation bond interest payable	82,694,397	45,853,549	--	--
Commercial paper notes payable	202,300,467	200,954,960	--	--
Revenue notes payable	--	--	--	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	3,066,334	32,334,127	--	19,314,768
Revenue bonds payable, net of discount and inclusive of premium	1,379,003,760	893,751,856	--	--
Water improvement district bonds payable	--	423,000	--	--
Capital lease obligations payable	10,084,999	7,450,000	--	--
Decommissioning assessment payable	1,976,937	--	--	--
Accrued landfill closure and postclosure costs	--	--	--	6,700,886
Deferred revenue and other credits	--	4,915,172	--	--
Total long-term liabilities	1,682,609,745	1,275,293,452	--	26,242,038
<b>Total liabilities</b>	1,989,668,634	1,355,401,528	121,151	31,447,817
<b>Fund equity</b>				
Contributions from municipality	3,562,708	3,192,079	8,193,127	1,372,233
Contributions from State and Federal governments	670,508	29,135,211	874,135	--
Contributions in aid of construction	60,832,711	318,528,691	--	--
Contributions from the private sector	--	--	3,686,908	--
Total contributions	65,065,927	350,855,981	12,754,170	1,372,233
Retained earnings:				
Reserved for renewal and replacement	--	--	--	--
Reserved for passenger facility charge	--	--	--	--
Unreserved	946,950,414	429,055,419	64,570,982	27,620,015
Total retained earnings	946,950,414	429,055,419	64,570,982	27,620,015
<b>Total fund equity</b>	1,012,016,341	779,911,400	77,325,152	28,992,248
<b>Total liabilities and fund equity</b>	\$ 3,001,684,975	2,135,312,928	77,446,303	60,440,065

See accompanying independent auditor's report.

**CITY OF AUSTIN, TEXAS**  
**Exhibit F-1**  
**(Continued)**

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals	
						2000	1999
282,102	185,009	369,988	260,848	93,885	47,224	6,229,468	6,130,910
--	--	--	--	--	--	75,000	2,018,023
--	--	--	--	--	--	88,254,611	95,149,775
--	--	--	--	--	--	--	30,825
--	--	--	--	--	--	128,547,946	109,775,116
--	--	--	--	--	--	403,255,427	333,147,181
28,000,000	--	--	--	--	--	28,000,000	28,000,000
1,003,082	507,980	2,231,688	329,776	8,487,070	--	67,274,825	66,269,779
364,476,639	238,559,043	--	--	--	--	2,875,791,298	2,856,361,074
--	--	--	--	--	--	423,000	789,000
--	--	--	--	--	--	17,534,999	19,634,999
--	--	--	--	--	--	1,976,937	2,255,362
--	--	--	--	--	--	6,700,886	6,467,381
4,318,000	--	--	--	--	--	9,233,172	5,874,230
398,079,823	239,252,032	2,601,676	590,624	8,580,955	47,224	3,633,297,569	3,531,903,655
425,558,854	252,709,696	6,761,230	2,119,755	9,476,646	132,928	4,073,398,239	3,939,002,831
3,032,170	18,989,202	15,188,310	331,206	848,680	1,069,976	55,779,691	55,850,644
136,181,351	256,680	--	--	--	--	167,117,885	161,926,221
13,089,374	1,871,886	15,822,025	--	--	--	410,144,687	386,775,077
--	488,436	--	--	--	--	4,175,344	4,175,344
152,302,895	21,606,204	31,010,335	331,206	848,680	1,069,976	637,217,607	608,727,286
10,000,000	1,065,953	--	--	--	--	11,065,953	10,808,822
10,152,485	--	--	--	--	--	10,152,485	7,734,879
126,258,089	38,368,952	35,143,320	7,688,945	2,787,537	(420,399)	1,678,023,274	1,469,736,399
146,410,574	39,434,905	35,143,320	7,688,945	2,787,537	(420,399)	1,699,241,712	1,488,280,100
298,713,469	61,041,109	66,153,655	8,020,151	3,636,217	649,577	2,336,459,319	2,097,007,386
724,272,323	313,750,805	72,914,885	10,139,906	13,112,863	782,505	6,409,857,558	6,036,010,217

**ENTERPRISE FUNDS**
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**
**Year ended September 30, 2000**
**With comparative totals for year ended September 30, 1999**

	Electric	Water and Wastewater	Hospital	Solid Waste Services
<b>REVENUES</b>				
Utility services	\$ 782,729,128	240,478,634	--	--
User fees and rentals	--	--	6,354,080	35,785,313
Operating revenues from other governments	--	--	1,806,124	--
Operating revenues	782,729,128	240,478,634	8,160,204	35,785,313
<b>EXPENSES</b>				
Operating expenses before depreciation	420,074,862	96,365,741	1,487,167	31,564,770
Depreciation	81,334,414	48,414,594	2,091,299	1,922,572
Total operating expenses	501,409,276	144,780,335	3,578,466	33,487,342
<b>Operating income (loss) before nonoperating revenues (expenses) and operating transfers</b>	281,319,852	95,698,299	4,581,738	2,297,971
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and other revenues	37,879,111	9,471,501	2,157,231	1,001,256
Interest on revenue bonds and other debt	(115,108,822)	(68,544,262)	--	(1,138,355)
Interest capitalized during construction	--	--	--	--
Amortization of bond issue cost	(710,084)	(2,933,428)	--	(5,078)
Other nonoperating expense	(2,697,118)	523,066	(239,271)	(17,209)
Total nonoperating revenues (expenses)	(80,636,913)	(61,483,123)	1,917,960	(159,386)
Cost to be recovered in future years	(3,260,157)	28,972,122	--	--
Income (loss) before operating transfers	197,422,782	63,187,298	6,499,698	2,138,585
Operating transfers:				
Operating transfers in	--	--	--	503,020
Operating transfers out	(61,200,000)	(17,301,603)	(7,180,538)	(75,000)
<b>Net income</b>	136,222,782	45,885,695	(680,840)	2,566,605
Add depreciation transferred to contributions	--	--	--	--
Net increase (decrease) in retained earnings	136,222,782	45,885,695	(680,840)	2,566,605
Retained earnings at beginning of year	810,727,632	383,169,724	65,251,822	25,053,410
Residual equity transfers out	--	--	--	--
<b>Retained earnings at end of year</b>	\$ 946,950,414	429,055,419	64,570,982	27,620,015

See accompanying independent auditor's report.



**CITY OF AUSTIN, TEXAS**  
**Exhibit F-2**

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals	
						2000	1999
--	--	--	--	--	--	1,023,207,762	896,130,375
72,425,155	9,649,395	22,608,671	17,200,058	5,961,945	3,368,184	173,352,801	158,213,197
--	--	--	--	--	--	1,806,124	8,180,221
72,425,155	9,649,395	22,608,671	17,200,058	5,961,945	3,368,184	1,198,366,687	1,062,523,793
33,324,916	12,526,752	20,530,726	15,670,939	4,816,758	3,616,225	639,978,856	540,701,564
16,053,743	2,443,427	680,498	752,421	445,844	8,692	154,147,504	151,399,557
49,378,659	14,970,179	21,211,224	16,423,360	5,262,602	3,624,917	794,126,360	692,101,121
23,046,496	(5,320,784)	1,397,447	776,698	699,343	(256,733)	404,240,327	370,422,672
8,111,527	10,639,218	1,394,577	238,497	185,310	51,213	71,129,441	44,448,200
(26,199,328)	(13,444,728)	(156,826)	(26,261)	(460,001)	--	(225,078,583)	(211,260,728)
--	1,852,527	--	--	--	--	1,852,527	18,601,484
(108,706)	(167,124)	(487)	(376)	(1,580)	--	(3,926,863)	(1,337,185)
(415,511)	(1,201,324)	(1,777)	(28,177)	(20,594)	(5,762)	(4,103,677)	(11,259,504)
(18,612,018)	(2,321,431)	1,235,487	183,683	(296,865)	45,451	(160,127,155)	(160,807,733)
--	--	--	--	--	--	25,711,965	39,701,954
4,434,478	(7,642,215)	2,632,934	960,381	402,478	(211,282)	269,825,137	249,316,893
--	22,469,355	2,136,504	--	--	--	25,108,879	18,872,385
--	(70,000)	(488,098)	--	--	--	(86,315,239)	(81,232,692)
4,434,478	14,757,140	4,281,340	960,381	402,478	(211,282)	208,618,777	186,956,586
2,277,340	65,495	--	--	--	--	2,342,835	2,904,185
6,711,818	14,822,635	4,281,340	960,381	402,478	(211,282)	210,961,612	189,860,771
139,698,756	24,612,270	30,861,980	6,728,564	2,385,059	(209,117)	1,488,280,100	1,302,096,035
--	--	--	--	--	--	--	(3,676,706)
146,410,574	39,434,905	35,143,320	7,688,945	2,787,537	(420,399)	1,699,241,712	1,488,280,100

**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year ended September 30, 2000**  
**With comparative totals for year ended September 30, 1999**

	Electric	Water and Wastewater	Hospital	Solid Waste Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 712,455,073	228,900,321	6,360,884	33,252,130
Cash payments to suppliers for goods and services	(278,231,130)	(48,961,187)	(1,428,140)	(14,530,640)
Cash payments to employees for services	(80,450,265)	(47,561,534)	(117,075)	(16,437,017)
Cash received from other governments	--	--	1,313,115	--
Taxes collected and remitted to other governments	(16,981,467)	--	--	--
<b>Net cash provided (used) by operating activities</b>	<b>336,792,211</b>	<b>132,377,600</b>	<b>6,128,784</b>	<b>2,284,473</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers in	--	--	--	503,020
Operating transfers out	(61,200,000)	(17,301,603)	(7,180,538)	(75,000)
Residual equity transfer out	--	--	--	--
Interest paid on revenue notes and other debt	(529,543)	(625,351)	--	(15,688)
Decrease in deferred assets	135,567	--	--	--
Contributions from municipalities	--	--	139,155	--
Loan repayments to other funds	--	--	--	--
Loan repayments from other funds	--	--	--	--
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(61,593,976)</b>	<b>(17,926,954)</b>	<b>(7,041,383)</b>	<b>412,332</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the sale of commercial paper notes	15,178,000	154,971,960	--	--
Proceeds from the sale of general obligation bonds and other tax supported debt	888,195	2,992,356	--	2,329,104
Proceeds from the sale of revenue notes	--	--	--	--
Proceeds from sale of revenue bonds	--	--	--	--
Principal paid on long-term debt	(80,375,614)	(28,276,955)	--	(1,935,235)
Proceeds from the sale of fixed assets	580,246	350,000	--	--
Purchased interest received	--	761,847	--	--
Interest paid on revenue bonds and other debt	(104,749,415)	(58,860,445)	--	(1,188,333)
Acquisition and construction of capital assets	(150,739,359)	(131,214,864)	(6,345)	(9,970,808)
Contributions from municipality	--	--	--	--
Contributions from State and Federal governments	--	--	--	--
Acquisition of intangible assets	--	(100,000,000)	--	--
Contributions in aid of construction	2,057,128	10,172,928	--	--
Bond discounts and issuance costs	(782,714)	(1,279,974)	--	--
Bond premiums	--	17,932	--	--
Cash paid for bond defeasance	--	--	--	--
Bonds issued for advanced refundings of debt	--	100,000,000	--	--
Cash paid for bond refunding escrow	--	(99,205,027)	--	--
Cash paid for nuclear fuel inventory	(6,681,685)	--	--	--
<b>Net cash provided (used) by capital and related financing activities</b>	<b>\$(324,625,218)</b>	<b>(149,570,242)</b>	<b>(6,345)</b>	<b>(10,765,272)</b>

See accompanying independent auditor's report.

**CITY OF AUSTIN, TEXAS**  
**Exhibit F-3**

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals	
						2000	1999
68,378,304	9,133,279	20,951,026	16,638,798	5,961,945	3,368,184	1,105,399,944	1,046,109,030
(20,226,965)	(6,730,446)	(8,006,654)	(8,710,290)	(2,334,216)	(1,541,985)	(390,701,653)	(325,783,269)
(13,719,255)	(5,748,587)	(11,539,503)	(7,377,495)	(2,403,642)	(2,135,755)	(187,490,128)	(165,567,960)
--	--	--	--	--	--	1,313,115	7,408,129
--	--	--	--	--	--	(16,981,467)	(15,493,225)
34,432,084	(3,345,754)	1,404,869	551,013	1,224,087	(309,556)	511,539,811	546,672,705
--	22,469,355	2,136,504	--	--	--	25,108,879	18,872,385
--	(70,000)	(488,098)	--	--	--	(86,315,239)	(81,232,692)
--	--	--	--	--	--	--	(3,676,706)
--	--	--	--	--	--	(1,170,582)	(214,826)
--	--	--	--	--	--	135,567	1,471,681
--	--	--	--	--	--	139,155	--
--	--	--	--	--	--	--	(444,049)
21,222	--	--	--	--	--	21,222	501,629
21,222	22,399,355	1,648,406	--	--	--	(62,080,998)	(64,722,578)
--	--	--	--	--	--	170,149,960	138,735,158
156,553	147,142	71,650	--	1,110,000	--	7,695,000	14,518,713
--	--	--	--	--	--	--	10,000,000
--	40,000,000	--	--	--	--	40,000,000	135,000,000
(20,099,351)	(2,709,255)	(149,038)	(106,277)	(411,393)	--	(134,063,118)	(117,233,111)
--	--	--	--	--	--	930,246	118,266
--	53,928	--	--	--	--	815,775	1,239,217
(25,604,235)	(10,236,122)	(157,369)	(28,254)	(456,146)	--	(201,280,319)	(185,117,739)
(35,130,572)	(20,699,675)	(5,784,322)	(1,689,132)	(947,588)	(13,660)	(356,196,325)	(374,705,375)
621	--	--	--	--	--	621	722
10,931,313	--	--	--	--	--	10,931,313	22,621,652
--	--	--	--	--	--	(100,000,000)	--
2,057,226	--	2,307,647	--	--	--	16,594,929	31,433,414
--	(183,200)	--	--	--	--	(2,245,888)	(12,166,745)
--	222,651	--	--	--	--	240,583	13,232,802
--	--	--	--	--	--	--	(16,964,085)
--	--	--	--	--	--	100,000,000	251,759,512
--	--	--	--	--	--	(99,205,027)	(260,411,741)
--	--	--	--	--	--	(6,681,685)	(11,218,838)
(67,688,445)	6,595,469	(3,711,432)	(1,823,663)	(705,127)	(13,660)	(552,313,935)	(359,158,178)

(continued)

**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year ended September 30, 2000**  
**With comparative totals for year ended September 30, 1999**

	Electric	Water and Wastewater	Hospital	Solid Waste Services
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investment securities	\$ (444,962,017)	(162,509,371)	--	--
Proceeds from sale and maturities of investment securities	422,395,065	158,410,204	--	--
Interest on investments	30,683,830	9,260,479	1,905,371	1,284,448
Reverse repurchase agreement income	1,383,353	669,818	251,860	167,858
Reverse repurchase agreement expense	(1,302,671)	(627,075)	(239,271)	(159,410)
<b>Net cash provided (used) by investing activities</b>	<b>8,197,560</b>	<b>5,204,055</b>	<b>1,917,960</b>	<b>1,292,896</b>
Net increase (decrease) in cash and cash equivalents	(41,229,423)	(29,915,541)	999,016	(6,775,571)
Cash and cash equivalents, October 1 (including \$449,418,667 in restricted accounts)	147,376,176	146,155,967	32,471,787	26,421,900
<b>Cash and cash equivalents, September 30 (including \$478,993,720 in restricted accounts)</b>	<b>106,146,753</b>	<b>116,240,426</b>	<b>33,470,803</b>	<b>19,646,329</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	281,319,852	95,698,299	4,581,738	2,297,971
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	81,334,414	48,414,594	2,091,299	1,922,572
Allowance for doubtful accounts	1,069,617	(745,341)	(362,564)	(240,579)
Amortization	9,049,749	--	--	--
Change in assets and liabilities:				
Decrease in working capital advances	578,050	--	--	--
(Increase) decrease in accounts receivable	(23,019,140)	(8,229,660)	369,368	(1,589,150)
Decrease in receivable from other governments	--	--	--	--
Decrease in due from other funds	--	--	--	--
(Increase) decrease in inventory	3,456,041	84,019	--	--
(Increase) decrease in prepaid expenses and deferred costs	(177,290)	(608,733)	--	(3,922)
Decrease in other regulatory assets	356,339	--	--	--
Decrease in other long-term assets	123,674	--	--	--
Increase (decrease) in accounts payable	29,077,585	139,921	(49,628)	(4,089)
Increase (decrease) in accrued payroll and compensated absences	(2,870,486)	(1,590,713)	(86,023)	(357,378)
Increase (decrease) in deferred revenue	--	(959,058)	77,603	--
Decrease in decommissioning assessment payable	(271,131)	--	--	--
(Increase) decrease in unrecovered fuel revenue	(51,725,251)	--	--	--
Increase in accrued landfill closure costs	--	--	--	233,505
Decrease in due to other governments	--	--	(493,009)	--
Increase (decrease) in other liabilities	7,832,748	--	--	--
Increase (decrease) in customer deposits	657,440	174,272	--	25,543
<b>Total adjustments</b>	<b>55,472,359</b>	<b>36,679,301</b>	<b>1,547,046</b>	<b>(13,498)</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 336,792,211</b>	<b>132,377,600</b>	<b>6,128,784</b>	<b>2,284,473</b>

See accompanying independent auditor's report.

**CITY OF AUSTIN, TEXAS**  
**Exhibit F-3**  
**(Continued)**

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals	
						2000	1999
(30,117,863)	(14,755,064)	--	--	--	--	(652,344,315)	(1,045,826,116)
73,973,434	13,396,196	--	--	--	--	668,174,899	1,076,492,695
7,690,066	9,338,281	1,385,452	208,834	163,635	45,149	61,965,545	57,480,393
421,461	1,264,675	182,155	29,663	21,675	6,064	4,398,582	3,887,698
(400,356)	(1,201,324)	(173,030)	(28,177)	(20,594)	(5,762)	(4,157,670)	(3,584,034)
51,566,742	8,042,764	1,394,577	210,320	164,716	45,451	78,037,041	88,450,636
18,331,603	33,691,834	736,420	(1,062,330)	683,676	(277,765)	(24,818,081)	211,242,585
52,122,249	141,702,989	26,809,687	4,974,466	2,682,595	954,551	581,672,367	370,429,782
70,453,852	175,394,823	27,546,107	3,912,136	3,366,271	676,786	556,854,286	581,672,367
23,046,496	(5,320,784)	1,397,447	776,698	699,343	(256,733)	404,240,327	370,422,672
16,053,743	2,443,427	680,498	752,421	445,844	8,692	154,147,504	151,399,557
--	--	35,864	(121,001)	--	--	(364,004)	(1,029,597)
--	--	--	--	--	--	9,049,749	11,633,240
--	--	--	--	--	--	578,050	785,776
(4,249,332)	(537,805)	(1,011,892)	(561,259)	--	--	(38,828,870)	(14,151,045)
--	--	--	--	--	--	--	30,234
24,766	--	--	--	--	--	24,766	59,437
--	--	--	11,741	--	--	3,551,801	(7,361,866)
20,000	(1,107)	(64,487)	--	(19,270)	--	(854,809)	1,717,497
--	--	--	--	--	--	356,339	295,342
--	--	--	--	--	--	123,674	--
(25,697)	644,103	564,873	(101,299)	184,867	(54,543)	30,376,093	18,520,027
(441,184)	(144,869)	(193,752)	(206,288)	(86,760)	(6,972)	(5,984,425)	2,201,922
110,534	--	--	--	--	--	(770,921)	(902,202)
--	--	--	--	--	--	(271,131)	(524,104)
--	--	--	--	--	--	(51,725,251)	2,594,276
--	--	--	--	--	--	233,505	242,864
--	--	--	--	--	--	(493,009)	(590,012)
(174,423)	(450,408)	--	--	63	--	7,207,980	11,284,365
67,181	21,689	(3,682)	--	--	--	942,443	44,322
11,385,588	1,975,030	7,422	(225,685)	524,744	(52,823)	107,299,484	176,250,033
34,432,084	(3,345,754)	1,404,869	551,013	1,224,087	(309,556)	511,539,811	546,672,705

(continued)

**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year ended September 30, 2000**  
**With comparative totals for year ended September 30, 1999**

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	Electric	Water and Wastewater	Hospital	Solid Waste Services
<b>NONCASH INVESTING, CAPITAL AND FINANCING</b>				
<b>ACTIVITIES:</b>				
Increase in advances to other funds	\$ --	--	--	--
Increase (decrease) in deferred assets/expenses	(5,870,161)	15,590,758	--	--
Unamortized bond discounts, premiums, and issue costs on advance refundings	--	--	--	--
(Increase) decrease in capital appreciation bond interest payable	(10,717,709)	(8,055,121)	--	(45,341)
Increase in deferred revenue	--	--	--	--
Increase in contributed facilities	--	14,918,520	--	--
Net increase (decrease) in the fair value of investments	744,999	209,256	--	--
Amortization of bond discounts, premiums and issue costs	(2,807,185)	(1,515,067)	--	(5,078)
Amortization of deferred loss on refundings	--	--	--	--
Gain (loss) on disposal of assets	(2,324,723)	523,066	--	(17,209)
Costs to be recovered in future years	(3,260,157)	28,972,122	--	--
Loss on extinguishment of debt	--	(5,027)	--	--
Due to other funds for fixed assets	--	--	--	--
Contributions from other funds	--	--	63,750	--

See accompanying independent auditor's report.

**CITY OF AUSTIN, TEXAS**  
**Exhibit F-3**  
**(Continued)**

Airport	Convention Center	Drainage	Transportation	Golf	Parks and Recreation	Totals	
						2000	1999
4,318,000	--	--	--	--	--	4,318,000	--
--	--	--	--	--	--	9,720,597	32,837,454
--	--	--	--	--	--	--	(5,140,112)
144,085	--	--	--	--	--	(18,674,086)	(11,456,168)
(4,318,000)	--	--	--	--	--	(4,318,000)	--
--	--	--	--	--	--	14,918,520	23,644,591
--	36,262	--	--	--	--	990,517	(12,858,194)
(641,536)	(360,974)	(487)	(31)	(2,294)	--	(5,332,652)	(3,714,723)
(83,370)	(427,477)	--	--	--	--	(510,847)	(606,823)
(15,155)	--	(1,777)	--	--	--	(1,835,798)	(9,999,114)
--	--	--	--	--	--	25,711,965	39,701,954
(551,502)	--	--	--	--	--	(556,529)	(17,278,873)
(2,656)	--	--	--	--	--	(2,656)	(5,312)
--	--	--	--	--	--	63,750	1,450,616

**ENTERPRISE FUNDS**  
**COMBINING SCHEDULE OF CHANGES IN FIXED ASSETS AND ACCUMULATED DEPRECIATION**  
**Year ended September 30, 2000**

	Assets				
	Balance	Additions	Retirements	Transfers from	Balance
	September 30, 1999			Construction in Progress	September 30, 2000
<b>Property, plant and equipment in service:</b>					
Electric	\$2,587,834,948	2,108,877	(14,990,214)	67,646,847	2,642,600,458
Water	903,156,639	8,179,468	(898,875)	127,686,369	1,038,123,601
Wastewater	952,190,413	6,733,494	(1,975,892)	41,674,888	998,622,903
Hospital	74,786,858	6,345	--	--	74,793,203
Solid Waste Services	39,918,424	349,370	(564,421)	(387,142)	39,316,231
Airport	639,217,178	8,137,220	(44,786)	33,768,295	681,077,907
Convention Center	113,536,810	218,019	(54,591)	1,358,064	115,058,302
Drainage	20,808,823	252,755	(198,300)	377,053	21,240,331
Transportation	5,970,882	1,320,652	--	--	7,291,534
Golf	11,897,203	83,439	(7,637)	513,519	12,486,524
Parks and Recreation	134,589	13,660	--	--	148,249
	<u>5,349,452,767</u>	<u>27,403,299</u>	<u>(18,734,716)</u>	<u>272,637,893</u>	<u>5,630,759,243</u>
<b>Construction in progress:</b>					
Electric	52,799,094	166,604,372	(671,303)	(67,646,847)	151,085,316
Water	100,493,639	79,980,715	--	(127,686,369)	52,787,985
Wastewater	24,490,619	51,446,697	--	(41,674,888)	34,262,428
Solid Waste Services	9,792,468	10,565,835	--	387,142	20,745,445
Airport	59,134,813	15,433,519	--	(33,768,295)	40,800,037
Convention Center	4,579,721	24,939,973	--	(1,358,064)	28,161,630
Drainage	18,615,153	7,286,240	--	(377,053)	25,524,340
Transportation	410,115	368,480	--	--	778,595
Golf	297,655	650,881	--	(513,519)	435,017
	<u>270,613,277</u>	<u>357,276,712</u>	<u>(671,303)</u>	<u>(272,637,893)</u>	<u>354,580,793</u>
Electric-nuclear fuel inventory	131,797,645	6,681,685	--	--	138,479,330
Electric-plant held for future use	32,653,983	--	(1,275,000)	--	31,378,983
<b>Total</b>	<u>\$5,784,517,672</u>	<u>391,361,696</u>	<u>(20,681,019)</u>	<u>--</u>	<u>6,155,198,349</u>

See accompanying independent auditor's report.



Accumulated Depreciation			
Balance September 30, 1999	Current Depreciation & Amortization	Retirements	Balance September 30, 2000
972,367,880	81,334,414	(4,754,981)	1,048,947,313
220,477,506	22,719,933	(802,103)	242,395,336
280,008,297	25,694,661	(1,550,975)	304,151,983
29,141,937	2,091,299	--	31,233,236
22,744,894	1,922,572	(547,211)	24,120,255
96,139,122	16,053,743	(29,631)	112,163,234
20,647,320	2,443,427	(54,591)	23,036,156
3,677,686	680,498	(196,523)	4,161,661
2,848,089	752,421	--	3,600,510
2,777,828	445,844	(7,637)	3,216,035
34,238	8,692	--	42,930
1,650,864,797	154,147,504	(7,943,652)	1,797,068,649
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
111,828,146	8,788,859	--	120,617,005
--	--	--	--
1,762,692,943	162,936,363	(7,943,652)	1,917,685,654

(continued)

**ENTERPRISE FUNDS**
**COMBINING SCHEDULE OF CHANGES IN FIXED ASSETS AND ACCUMULATED DEPRECIATION**
**Year ended September 30, 2000**

	Electric	Water	Wastewater	Hospital	Solid Waste Services	Airport
<b>Property, plant and equipment:</b>						
Land and land rights	\$ 33,558,676	54,724,538	16,023,542	759,502	10,461,629	58,690,308
Buildings	544,357,121	631,758,048	587,981,763	74,002,127	5,489,339	499,246,243
Improvements to grounds	13,206,376	23,220,851	17,125,864	14,580	4,444,189	47,449,956
Machinery and equipment	1,897,292,287	169,709,845	275,904,853	4,045	2,093,442	15,732,640
Vehicles	20,051,598	6,433,582	10,047,868	--	12,758,372	1,629,218
Completed assets not classified	134,134,400	152,276,737	91,539,013	12,949	4,069,260	58,329,542
	2,642,600,458	1,038,123,601	998,622,903	74,793,203	39,316,231	681,077,907
Less accumulated depreciation	(1,048,947,313)	(242,395,336)	(304,151,983)	(31,233,236)	(24,120,255)	(112,163,234)
Net property, plant and equipment in service	1,593,653,145	795,728,265	694,470,920	43,559,967	15,195,976	568,914,673
Construction in progress	151,085,316	52,787,985	34,262,428	--	20,745,445	40,800,037
Nuclear fuel, net of amortization	17,862,325	--	--	--	--	--
Plant held for future use	31,378,983	--	--	--	--	--
<b>Total property, plant and equipment</b>	<b>1,793,979,769</b>	<b>848,516,250</b>	<b>728,733,348</b>	<b>43,559,967</b>	<b>35,941,421</b>	<b>609,714,710</b>

See accompanying independent auditor's report.

**CITY OF AUSTIN, TEXAS**  
**Exhibit F-4**  
**(Continued)**

<b>Convention Center</b>	<b>Drainage</b>	<b>Transportation</b>	<b>Golf</b>	<b>Parks and Recreation</b>	<b>Total</b>
26,089,465	2,370,006	--	324,266	--	203,001,932
82,261,170	511,963	--	1,699,687	--	2,427,307,461
--	4,542,077	--	7,448,984	2,999	117,455,876
2,665,463	9,329,839	198,711	503,475	52,032	2,373,486,632
358,880	2,393,817	4,389,264	264,975	329	58,327,903
3,683,324	2,092,629	2,703,559	2,245,137	92,889	451,179,439
115,058,302	21,240,331	7,291,534	12,486,524	148,249	5,630,759,243
(23,036,156)	(4,161,661)	(3,600,510)	(3,216,035)	(42,930)	(1,797,068,649)
92,022,146	17,078,670	3,691,024	9,270,489	105,319	3,833,690,594
28,161,630	25,524,340	778,595	435,017	--	354,580,793
--	--	--	--	--	17,862,325
--	--	--	--	--	31,378,983
120,183,776	42,603,010	4,469,619	9,705,506	105,319	4,237,512,695

## **APPENDIX C**

### **Form of Bond Counsel's Opinion**

## **Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Bonds, assuming no material changes in facts or law.*

**CITY OF AUSTIN, TEXAS  
PUBLIC IMPROVEMENT REFUNDING BONDS,  
SERIES 2001,  
DATED JUNE 1, 2001,  
IN THE PRINCIPAL AMOUNT OF \$123,445,000**

AS BOND COUNSEL for the City of Austin, Texas (the "City"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which Bonds are issued in the aggregate principal amount of \$123,445,000. The Bonds bear interest from the date and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified on the face of the Bonds, all in accordance with the ordinance of the City authorizing the issuance of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE ACTED AS BOND COUNSEL for the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and statutes of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City, and have not assumed any responsibility with respect thereto. We have relied solely on representations by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable

property within the City, necessary to pay the interest on and principal of said Bonds, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In addition, we have relied upon the report of The Arbitrage Group, Inc., a nationally recognized accounting firm, with respect to certain arithmetical and mathematical computations relating to the Bonds and the obligations refunded with the proceeds of the Bonds. In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants, regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future litigation.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of legal authorities that we deem relevant to render such opinions and are not a guarantee of the result.

Respectfully,

## APPENDIX D

### SUMMARY OF BONDS REFUNDED

	<b>Maturity Type</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>	<b>Par Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
Public Improvement Ref Bonds, Series 1990-A	SERIAL	9/1/02	7.000%	\$ 7,680,000	9/1/01	100
	SERIAL	9/1/03	7.000%	5,810,000	9/1/01	100
	SERIAL	9/1/04	6.750%	3,190,000	9/1/01	100
	SERIAL	9/1/05	6.000%	700,000	9/1/01	100
Public Improvement Bonds, Series 1991A	SERIAL	9/1/02	5.875%	880,000	9/1/01	100
Public Improvement Bonds, Series 1992	SERIAL	9/1/03	7.250%	\$ 3,000,000	9/1/02	100
Certificate of Obligation, Series 1992	SERIAL	9/1/03	5.750%	\$ 275,000	9/1/02	100
Public Improvement Refunding Bonds, Series 1992	SERIAL	9/1/02	5.900%	\$ 11,405,000	9/1/01	100
	SERIAL	9/1/03	6.000%	11,650,000	9/1/01	100
	SERIAL	9/1/04	6.100%	12,180,000	9/1/01	100
	SERIAL	9/1/05	6.200%	12,295,000	9/1/01	100
	SERIAL	9/1/06	6.250%	1,505,000	9/1/01	100
	TERM_08	9/1/08	6.250%	9,280,000	9/1/01	100
Public Improvement Bonds, Series 1994	SERIAL	9/1/06	5.500%	\$ 1,000,000	9/1/04	100
	SERIAL	9/1/07	5.600%	2,500,000	9/1/04	100
Certificates of Obligation, Series 1994	SERIAL	9/1/05	5.400%	\$ 180,000	9/1/04	100
	SERIAL	9/1/06	5.500%	190,000	9/1/04	100
	SERIAL	9/1/07	5.600%	210,000	9/1/04	100
	SERIAL	9/1/08	5.700%	220,000	9/1/04	100
Public Improvement Bonds, Series 1995	SERIAL	9/1/06	4.800%	\$ 1,995,000	9/1/05	100
	SERIAL	9/1/07	5.000%	2,115,000	9/1/05	100
	SERIAL	9/1/08	5.100%	2,245,000	9/1/05	100
	SERIAL	9/1/09	5.200%	2,380,000	9/1/05	100
	SERIAL	9/1/10	5.300%	2,520,000	9/1/05	100
	SERIAL	9/1/11	5.400%	2,670,000	9/1/05	100
	SERIAL	9/1/12	5.500%	2,830,000	9/1/05	100
	SERIAL	9/1/13	5.500%	3,000,000	9/1/05	100
Certificates of Obligation, Series 1995	SERIAL	9/1/06	4.900%	\$ 445,000	9/1/05	100
	SERIAL	9/1/07	5.000%	475,000	9/1/05	100
	SERIAL	9/1/08	5.000%	500,000	9/1/05	100
	SERIAL	9/1/09	5.200%	530,000	9/1/05	100
	SERIAL	9/1/10	5.300%	565,000	9/1/05	100
	SERIAL	9/1/11	5.400%	600,000	9/1/05	100
	SERIAL	9/1/12	5.500%	635,000	9/1/05	100
	SERIAL	9/1/13	5.500%	670,000	9/1/05	100

Austin MUD #2 Bonds, Series 1991	SERIAL	9/1/02	8.000%	\$	60,000	9/1/01	100
	SERIAL	9/1/03	8.000%		65,000	9/1/01	100
	SERIAL	9/1/04	8.000%		70,000	9/1/01	100
	SERIAL	9/1/05	8.000%		75,000	9/1/01	100
	SERIAL	9/1/06	8.000%		80,000	9/1/01	100
	SERIAL	9/1/07	8.100%		85,000	9/1/01	100
	SERIAL	9/1/08	8.100%		95,000	9/1/01	100
	SERIAL	9/1/09	8.200%		105,000	9/1/01	100
	SERIAL	9/1/10	8.200%		110,000	9/1/01	100
	SERIAL	9/1/11	8.200%		120,000	9/1/01	100
	SERIAL	9/1/12	8.200%		130,000	9/1/01	100
	SERIAL	9/1/13	8.200%		140,000	9/1/01	100
	SERIAL	9/1/14	8.200%		155,000	9/1/01	100
	SERIAL	9/1/15	8.200%		165,000	9/1/01	100
	SERIAL	9/1/16	8.200%		180,000	9/1/01	100
Circle C MUD #3 Bonds, Series 1996	SERIAL	11/15/08	5.200%	\$	130,000	11/15/06	100
	SERIAL	11/15/09	5.300%		140,000	11/15/06	100
	SERIAL	11/15/10	5.400%		150,000	11/15/06	100
	SERIAL	11/15/11	5.450%		165,000	11/15/06	100
	SERIAL	11/15/12	5.500%		175,000	11/15/06	100
Circle C MUD #4 Bonds, Series 1994	SERIAL	11/15/05	5.400%	\$	185,000	11/15/04	100
	SERIAL	11/15/06	5.500%		195,000	11/15/04	100
	SERIAL	11/15/07	5.600%		215,000	11/15/04	100
	SERIAL	11/15/08	5.700%		230,000	11/15/04	100
	SERIAL	11/15/09	5.700%		250,000	11/15/04	100
	SERIAL	11/15/10	5.700%		270,000	11/15/04	100
	SERIAL	11/15/11	5.700%		290,000	11/15/04	100
	SERIAL	11/15/12	5.700%		315,000	11/15/04	100
Maple Run @ Austin MUD, Series 1986	SERIAL	8/1/02	8.600%	\$	300,000	9/1/01	100
	SERIAL	8/1/03	8.700%		325,000	9/1/01	100
	SERIAL	8/1/04	8.750%		375,000	9/1/01	100
	SERIAL	8/1/05	8.750%		400,000	9/1/01	100
	SERIAL	8/1/06	8.750%		450,000	9/1/01	100
North Central Austin Growth Corridor, Series 1986	SERIAL	8/1/06	6.375%	\$	520,000	9/1/01	100
North Central Austin Growth Corridor, Series 1987	SERIAL	8/1/02	6.500%	\$	40,000	9/1/01	100
	SERIAL	8/1/03	6.500%		50,000	9/1/01	100
	SERIAL	8/1/04	6.500%		50,000	9/1/01	100
	SERIAL	8/1/05	6.500%		50,000	9/1/01	100
	SERIAL	8/1/06	6.500%		60,000	9/1/01	100
South Austin Growth Corridor, Series 1987	SERIAL	9/1/05	6.000%	\$	125,000	9/1/01	100
	SERIAL	9/1/06	6.000%		125,000	9/1/01	100



Southland Oaks MUD Bonds, Series 1995	SERIAL	11/15/06	5.800%	\$	115,000	11/15/05	100
	SERIAL	11/15/07	5.900%		125,000	11/15/05	100
	SERIAL	11/15/08	6.000%		130,000	11/15/05	100
	SERIAL	11/15/09	6.000%		140,000	11/15/05	100
	SERIAL	11/15/10	6.000%		150,000	11/15/05	100
	SERIAL	11/15/11	6.000%		160,000	11/15/05	100
	SERIAL	11/15/12	6.000%		170,000	11/15/05	100
	SERIAL	11/15/13	6.000%		180,000	11/15/05	100
	SERIAL	11/15/14	6.000%		195,000	11/15/05	100
	SERIAL	11/15/15	6.000%		210,000	11/15/05	100
	SERIAL	11/15/16	6.000%		220,000	11/15/05	100
	SERIAL	11/15/17	6.300%		235,000	11/15/05	100
	SERIAL	11/15/18	6.300%		250,000	11/15/05	100
	SERIAL	11/15/19	6.300%		270,000	11/15/05	100
	SERIAL	11/15/20	6.300%		290,000	11/15/05	100
Southland Oaks MUD Bonds, Series 1996	SERIAL	11/15/07	5.600%	\$	55,000	11/15/06	100
	SERIAL	11/15/08	5.700%		60,000	11/15/06	100
	SERIAL	11/15/09	5.800%		65,000	11/15/06	100
	SERIAL	11/15/10	5.900%		70,000	11/15/06	100
	SERIAL	11/15/11	6.000%		75,000	11/15/06	100
	SERIAL	11/15/12	6.000%		80,000	11/15/06	100
	SERIAL	11/15/13	6.000%		85,000	11/15/06	100
	SERIAL	11/15/14	6.000%		90,000	11/15/06	100
	SERIAL	11/15/15	6.000%		100,000	11/15/06	100
	SERIAL	11/15/16	6.000%		110,000	11/15/06	100
	SERIAL	11/15/17	6.000%		115,000	11/15/06	100
	SERIAL	11/15/18	6.000%		125,000	11/15/06	100
	SERIAL	11/15/19	6.000%		135,000	11/15/06	100
	SERIAL	11/15/20	6.000%		145,000	11/15/06	100
	SERIAL	11/15/21	6.000%		160,000	11/15/06	100
Village @ Western Oaks MUD Bonds, Series 1995	SERIAL	11/15/06	6.000%	\$	145,000	11/15/05	100
	SERIAL	11/15/07	6.000%		155,000	11/15/05	100
	SERIAL	11/15/08	6.000%		170,000	11/15/05	100
	SERIAL	11/15/09	6.000%		185,000	11/15/05	100
	SERIAL	11/15/10	6.000%		195,000	11/15/05	100
	SERIAL	11/15/11	6.000%		215,000	11/15/05	100
	SERIAL	11/15/12	6.000%		230,000	11/15/05	100
	SERIAL	11/15/13	6.000%		250,000	11/15/05	100
	SERIAL	11/15/14	6.000%		270,000	11/15/05	100
Village @ Western Oaks MUD Bonds, Series 1996	SERIAL	11/15/07	5.700%	\$	110,000	11/15/06	100
	SERIAL	11/15/08	5.800%		120,000	11/15/06	100
	SERIAL	11/15/09	5.900%		130,000	11/15/06	100
	SERIAL	11/15/10	5.900%		140,000	11/15/06	100
	SERIAL	11/15/11	5.900%		150,000	11/15/06	100
	SERIAL	11/15/12	5.900%		160,000	11/15/06	100
	SERIAL	11/15/13	5.900%		170,000	11/15/06	100
	SERIAL	11/15/14	5.900%		185,000	11/15/06	100
	SERIAL	11/15/15	5.900%		200,000	11/15/06	100
	SERIAL	11/15/16	5.900%		215,000	11/15/06	100
Travis County WC & ID 12 Bonds, Series 1965	SERIAL	3/1/02	5.000%	\$	45,000	9/1/01	100
Travis County WC&ID 14 Bonds, Series 1963	SERIAL	11/1/02	5.000%	\$	35,000	11/1/01	100
	SERIAL	11/1/03	5.000%		35,000	11/1/01	100
Travis County WC&ID 9 Bonds, Series 1962	SERIAL	3/1/02	5.000%	\$	58,000	9/1/01	100
Total				\$	123,418,000		