

OFFICIAL STATEMENT DATED SEPTEMBER 7, 2016

Ratings: Moody's: "Aaa"
Standard & Poor's: "AAA"
Fitch: "AAA"

(See "OTHER RELEVANT INFORMATION – Ratings")

NEW ISSUES – Book-Entry-Only

Interest on the Obligations (defined below) is **not** excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS FOR THE OBLIGATIONS" in this document.

\$12,000,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Improvement Bonds, Taxable Series 2016

\$8,700,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Certificates of Obligation, Taxable Series 2016

Dated Date: October 4, 2016

Due: As shown on the inside cover page

Interest on the \$12,000,000 City of Austin, Texas Public Improvement Bonds, Taxable Series 2016 (the "Bonds") and the \$8,700,000 City of Austin, Texas Certificates of Obligation, Taxable Series 2016 (the "Certificates") will accrue from the dated date shown above and will be payable March 1, 2017, and each September 1 and March 1 thereafter until maturity or redemption prior to maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds and the Certificates are collectively referred to as the "Obligations". The Bonds and the Certificates are being offered separately by the City of Austin, Texas (the "City"), and delivery of each issue is not contingent upon the delivery of the other issue. 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. The book-entry-only system will affect the method and timing of payment and the method of transfer of the Obligations. See "OBLIGATION INFORMATION – Book-Entry-Only System" in this document.

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 issuance of the Bonds. The Certificates 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 and are additionally payable from and secured by a limited pledge of surplus revenues (not to exceed \$1,000) of the City's solid waste disposal system, as provided in the ordinance authorizing the issuance of the Certificates. See "OBLIGATION INFORMATION – Security" in this document.

Proceeds from the sale of the Bonds will be used to finance various capital improvements (see "DEBT INFORMATION – Authorized General Obligation Bonds" in this document), and to pay costs of issuance of the Bonds. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuance of the Certificates. See "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document.

MATURITY SCHEDULE

See "MATURITY SCHEDULE" on next page

The Obligations are subject to redemption prior to their stated maturities as described in "OBLIGATION INFORMATION – Optional Redemption of the Obligations" in this document.

The Obligations are offered for delivery when, as and if issued and accepted by the Underwriters, subject to the approving opinions of the Attorney General of the State of Texas and of Andrews Kurth LLP, Austin, Texas, Bond Counsel. See APPENDIX C – "Forms of Bond Counsel's Opinions" in this document. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Austin, Texas.

It is expected that the Obligations will be delivered through the facilities of DTC on or about October 4, 2016.

SIEBERT CISNEROS SHANK & CO., L.L.C.

Piper Jaffray & Co.

MATURITY SCHEDULE

\$12,000,000
CITY OF AUSTIN, TEXAS
Public Improvement Bonds, Taxable Series 2016
Base CUSIP No. 052397 (1)

\$7,690,000 Serial Bonds

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix (1)</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix (1)</u>
2017	\$470,000	2.000%	0.695%	FZ4	2024	\$560,000	2.104%	2.104%	GG5
2018	460,000	4.000%	1.038%	GA8	2025	570,000	2.204%	2.204%	GH3
2019	475,000	4.000%	1.183%	GB6	2026	585,000	2.304%	2.304%	GJ9
2020	495,000	4.000%	1.420%	GC4	2027	595,000	2.484%	2.484%	GK6
2021	515,000	4.000%	1.590%	GD2	2028	610,000	2.634%	2.634%	GL4
2022	535,000	1.807%	1.807%	GE0	2029	630,000	2.734%	2.734%	GM2
2023	545,000	2.007%	2.007%	GF7	2030	645,000	2.834%	2.834%	GN0

\$1,350,000 2.934% Term Bond due September 1, 2032, Initial Yield 2.934%, CUSIP 052397GP5

\$1,435,000 3.061% Term Bond due September 1, 2034, Initial Yield 3.061%, CUSIP 052397GQ3

\$1,525,000 3.161% Term Bond due September 1, 2036, Initial Yield 3.161%, CUSIP 052397GR1

(Interest to accrue from the Dated Date)

\$8,700,000
CITY OF AUSTIN, TEXAS
Certificates of Obligation, Taxable Series 2016
Base CUSIP No. 052397 (1)

\$5,585,000 Serial Certificates

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix (1)</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix (1)</u>
2017	\$340,000	2.000%	0.695%	FG6	2024	\$405,000	2.104%	2.104%	FP6
2018	330,000	4.000%	1.038%	FH4	2025	415,000	2.204%	2.204%	FQ4
2019	345,000	4.000%	1.183%	FJ0	2026	425,000	2.304%	2.304%	FR2
2020	360,000	4.000%	1.420%	FK7	2027	435,000	2.484%	2.484%	FS0
2021	375,000	4.000%	1.590%	FL5	2028	445,000	2.634%	2.634%	FT8
2022	390,000	1.807%	1.807%	FM3	2029	455,000	2.734%	2.734%	FU5
2023	395,000	2.007%	2.007%	FN1	2030	470,000	2.834%	2.834%	FV3

\$975,000 2.934% Term Certificate due September 1, 2032, Initial Yield 2.934%, CUSIP 052397FW1

\$1,035,000 3.061% Term Certificate due September 1, 2034, Initial Yield 3.061%, CUSIP 052397FX9

\$1,105,000 3.161% Term Certificate due September 1, 2036, Initial Yield 3.161%, CUSIP 052397FY7

(Interest to accrue from the Dated Date)

Concurrent Issues . . . The Bonds and the Certificates (collectively, the “Obligations”) are being offered concurrently by the City under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings issued and sold independently except for this Official Statement, and while they share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the rights of the City to redeem the Obligations, the federal, state and local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

Concurrently with the sale of the Obligations, the City sold its Public Improvement and Refunding Bonds, Series 2016 in the aggregate principal amount of \$98,365,000, Certificates of Obligation, Series 2016 in the aggregate principal amount of \$44,015,000, and Public Property Finance Contractual Obligations, Series 2016 in the aggregate principal amount of \$22,555,000 (collectively, the “Tax-Exempt Obligations”), pursuant to a separate official statement. The Tax-Exempt Obligations are expected to be delivered on October 4, 2016.

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

The Obligations are offered by the City under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently, except for the common Official Statement. While the Obligations share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

No dealer, broker, salesman or other person has been authorized by the City or by the purchasers in the initial offering of all or any of the Obligations (collectively the “Underwriters”) to give any information or to make any representations, other than as contained in this document, 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 Obligations, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is submitted in connection with the sale of securities referred to in this document and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

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

The information set forth in this document 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 opinions in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under the Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described since the date of this Official Statement. CUSIP numbers have been assigned to each series of Obligations by CUSIP Global Services for the convenience of the owners of the Obligations.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. The descriptions and summaries do not purport to be complete and all descriptions, summaries and references are qualified in their entirety by reference to this document in its entirety and to each document referred to in this 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 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.

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

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

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE OBLIGATIONS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

	<u>Page</u>
CITY OF AUSTIN.....	vii
Elected Officials.....	vii
Appointed Officials	vii
SELECTED DATA FROM THE OFFICIAL STATEMENT.....	viii
INTRODUCTION	1
OBLIGATION INFORMATION.....	1
Authority and Purpose for Issuance.....	1
Sources and Uses of Funds.....	2
General.....	2
Security.....	2
Remedies.....	3
Defeasance of Obligations	4
Book-Entry-Only System	4
Paying Agent/Registrar.....	6
Transfer, Exchange and Registration	6
Limitation on Transfer of Bonds or Certificates Called for Redemption	6
Optional Redemption of the Obligations.....	6
Mandatory Redemption	7
Notice of Redemption	7
TAX INFORMATION.....	8
Ad Valorem Tax Law	8
Tax Valuation – TABLE ONE.....	10
Statement of Debt.....	11
Revenue Debt.....	12
Obligations Subject to Annual Appropriation.....	12
Valuation and Funded Debt History – TABLE TWO	13
Tax Rate, Levy and Collection History – TABLE THREE	13
Ten Largest Taxpayers – TABLE FOUR.....	14
Property Tax Rate Distribution – TABLE FIVE	14
Net Taxable Assessed Valuations, Tax Levies and Collections – TABLE SIX.....	15
Tax Rate Limitation	16
Tax Procedures.....	16
DEBT INFORMATION.....	17
Debt Service Requirements.....	17
Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes.....	18
Authorized General Obligation Bonds – TABLE SEVEN	19
Concurrent Issuance of General Obligation Debt.....	19
Funded Debt Limitation.....	19
FISCAL MANAGEMENT	19
The Capital Improvement Plan and Capital Budget.....	19
2016-2017 Capital Budget	20
Operating Budget.....	21
2016–2017 Budget.....	22
Deficit Budgeting.....	22
Accounting System	23
Short-Term Borrowing.....	23
INVESTMENTS	23
Legal Investments	23

Investment Policies.....	24
Additional Provisions	25
Current Investments – TABLE EIGHT.....	25
GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE – TABLE NINE.....	26
CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES	27
Municipal Sales Tax – TABLE TEN.....	27
Transfers from Utility Funds – TABLE ELEVEN.....	27
ENTERPRISE FUNDS	28
Statement of Revenues, Expenses and Changes in Fund Net Position	28
THE SYSTEMS	28
STRATEGIC PLANS, GOALS AND POLICIES	28
Strategic Plan	28
Austin Energy Resource, Generation, and Climate Protection Plan to 2025: An Update of the 2020 Plan.....	28
2014 Plan Summary	29
Financial Policies.....	30
CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.....	31
Rate Regulation	31
ERCOT Wholesale Market Design	32
Federal Rate Regulation.....	32
Environmental Regulation - General	33
Environmental Regulation Related to Air Emissions	33
Environmental Regulation Related to Water Discharges	34
Environmental Regulation Related to Hazardous Wastes and Remediation	35
Environmental - Other	35
Nuclear Regulation	35
Events Affecting the Nuclear Industry	36
THE CITY	37
Administration.....	37
City Manager – Marc A. Ott.....	37
Chief Financial Officer – Elaine Hart, CPA	37
Services Provided by the City	38
Employees	38
Annexation Program	38
Annexations – TABLE TWELVE.....	39
Recent Annexation	39
Future Annexation.....	40
Pension Plans.....	40
Other Post-Employment Benefits	42
Insurance	42
CONTINUING DISCLOSURE OF INFORMATION	42
Annual Reports.....	42
Disclosure Event Notices.....	43
Availability of Information.....	43
Limitations and Amendments	44
Compliance with Prior Undertakings	44
TAX MATTERS FOR THE OBLIGATIONS.....	44
General.....	44

Stated Interest on the Obligations	45
Disposition of Obligations	45
Backup Withholding.....	45
Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations	45
Reporting of Interest Payments	46
OTHER RELEVANT INFORMATION.....	46
Ratings.....	46
Litigation.....	46
Electric Utility System Litigation.....	46
Registration and Qualification	47
Legal Investments and Eligibility to Secure Public Funds in Texas	47
Legal Matters.....	47
Financial Advisor	48
Independent Auditors	48
Underwriting.....	48
Forward - Looking Statements	48
Authenticity of Financial Data and Other Information.....	49
Certification of the Official Statement.....	49
APPENDICES	
General Information Regarding the City	APPENDIX A
Audited Financial Statements	APPENDIX B
Forms of Bond Counsel's Opinions.....	APPENDIX C

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

CITY OF AUSTIN

Elected Officials

	<u>Term Expires Jan. 5</u>
Steve Adler	Mayor 2019
Ora Houston	Councilmember District 1 2019
Delia Garza	Councilmember District 2 2017
Sabino “Pio” Renteria	Councilmember District 3 2019
Gregorio “Greg” Casar	Councilmember District 4 2017
Ann Kitchen	Councilmember District 5 2019
Don Zimmerman	Councilmember District 6 2017
Leslie Pool	Councilmember District 7 2017
Ellen Troxclair	Councilmember District 8 2019
Kathryne B. Tovo, Mayor Pro Tem	Councilmember District 9 2019
Sheri Gallo	Councilmember District 10 2017

Appointed Officials

Marc A. Ott.....	City Manager (1)
Robert Goode.....	Assistant City Manager
Sue Edwards.....	Assistant City Manager
Bert Lumbreras.....	Assistant City Manager
Rey Arellano.....	Assistant City Manager
Mark Washington.....	Assistant City Manager
Elaine Hart, CPA	Chief Financial Officer (1)
Greg Canally.....	Deputy Chief Financial Officer
Ed Van Eenoo.....	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Jannette Goodall	City Clerk

(1) Mr. Ott has announced his resignation, effective October 30, 2016. On September 1, 2016, the Austin City Council appointed Ms. Elaine Hart as interim City Manager, effective October 31, 2016.

BOND COUNSEL

Andrews Kurth LLP
Austin, Texas

DISCLOSURE COUNSEL FOR THE CITY

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

FINANCIAL ADVISOR

Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Austin, Texas

For additional information regarding the City, please contact:

Art P. Alfaro
Treasurer
City of Austin
700 Lavaca, Suite 940
Austin, TX 78701
(512) 974-7882
art.alfaro@austintexas.gov

Dennis P. Waley
Managing Director
Public Financial Management, Inc.
221 West 6th Street, Suite 1900
Austin, TX 78701
(512) 614-5323
waleyd@pfm.com

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 document. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	<p>The City of Austin, Texas (the “City”), is a political subdivision located in Travis, Williamson and Hays 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 (elected at-large) and ten councilmembers (elected from ten single member districts) are elected for staggered four year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.</p> <p>For further information about the City see APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY” in this document.</p>
The Bonds	<p>The Bonds are issued in the principal amount of \$12,000,000 pursuant to the general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, Chapter 1371, Texas Government Code (“Chapter 1371”), elections held by the City (see “DEBT INFORMATION – Authorized General Obligation Bonds” in this document), an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Bonds (see “OBLIGATION INFORMATION – Authority and Purpose for Issuance” in this document).</p>
The Certificates	<p>The Certificates are issued in the principal amount of \$8,700,000 pursuant to the general laws of the State of Texas, particularly Subchapter C, Chapter 271, Texas Local Government Code, Chapter 1371, an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Certificates (see “OBLIGATION INFORMATION – Authority and Purpose for Issuance”).</p>
Security	<p>Each series of the Obligations constitutes a direct obligation of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to provide for payment of principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenues (not to exceed \$1,000) of the City’s solid waste disposal system (see “OBLIGATION INFORMATION - Security”).</p>
Redemption of Obligations	<p>The City reserves the right, at its option, to redeem the Obligations of either series having stated maturities on and after September 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2026, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see “OBLIGATION INFORMATION – Optional Redemption of the Obligations”).</p> <p>The Obligations of both series maturing in each of the years 2032, 2034 and 2036 are subject to mandatory sinking fund redemption prior to their scheduled maturities, in the manner described in “OBLIGATION INFORMATION – Mandatory Redemption”.</p>
Tax Matters	<p>Interest on the Obligations is not excludable from gross income. See “TAX MATTERS FOR THE OBLIGATIONS” in this document.</p>
Concurrent Issuance of General Obligation Debt	<p>Concurrently with the sale of the Obligations, the City sold its Public Improvement Bonds, Series 2016 in the aggregate principal amount of \$98,365,000, Certificates of Obligation, Series 2016 in the aggregate principal amount of \$44,015,000, and Public Property Finance Contractual Obligations, Series 2016 in the aggregate principal amount of \$22,555,000 (collectively, the “Tax-Exempt Obligations”), pursuant to a separate official statement.</p>
Payment Record	<p>The City has not defaulted since 1900 when all bonds were refunded at par with a voluntary reduction in interest rates.</p>

Selected Financial Information

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
2008	746,105	\$68,736,790,926	\$92,128	\$907,667	\$1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.97	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,649	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	100.01%
2015	899,119	98,652,179,430	109,721	1,409,384	1,567.52	1.43%	99.88%
2016	913,917	110,743,469,158	121,175	1,205,954 (4)	1,319.54 (4)	1.09% (4)	99.70% (3)
2017	937,065	125,778,150,009	134,226	1,264,962 (4)	1,349.92 (4)	1.01% (4)	N/A

(1) Source: 2015 City of Austin Comprehensive Annual Financial Report ("CAFR") – Table 18, through fiscal year ending 2015; City of Austin Department of Planning and Development based on full purpose area as of January 2016, for fiscal years ending 2016 and 2017.

(2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer in from the Operating Budget. See "DEBT INFORMATION."

(3) Estimated Collections as of June 30, 2016 based on the July 2015 Certified Tax Roll tax levy.

(4) Includes the Tax-Exempt Obligations and the Obligations (aggregate issuance of \$185,635,000 par amount) and excludes \$63,660,000 of obligations refunded by the City's Public Improvement and Refunding Bonds, Series 2016. See "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

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

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT

Relating to

\$12,000,000

CITY OF AUSTIN, TEXAS

Public Improvement Bonds, Taxable Series 2016

\$8,700,000

CITY OF AUSTIN, TEXAS

Certificates of Obligation, Taxable Series 2016

INTRODUCTION

This Official Statement, which includes the cover page, the summary statement and the appendices, provides certain information regarding the issuance by the City of Austin, Texas (the “City”) of its \$12,000,000 Public Improvement Bonds, Taxable Series 2016 (the “Bonds”) and its \$8,700,000 Certificates of Obligation, Taxable Series 2016 (the “Certificates”). The Bonds and the Certificates are collectively referred to as the “Obligations”. The Bonds and the Certificates are being offered separately by the City, and delivery of each issue is not contingent upon the delivery of the other issue. 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”) and the ordinance authorizing the issuance of the Certificates (the “Certificate Ordinance”) except as otherwise indicated. The Bond Ordinance and the Certificate Ordinance are collectively referred to as the “Ordinances”.

Concurrently with the sale of the Obligations, the City sold its Public Improvement and Refunding Bonds, Series 2016 in the aggregate principal amount of \$98,365,000, its Certificates of Obligation, Series 2016 in the aggregate principal amount of \$44,015,000 and its Public Property Finance Contractual Obligations, Series 2016 in the aggregate principal amount of \$22,555,000 (collectively, the “Tax-Exempt Obligations”), pursuant to a separate official statement. The Tax-Exempt Obligations are expected to be delivered concurrently with the delivery of the Obligations.

References to website addresses presented in this document are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless otherwise specified, references to websites and the information or links contained therein are not incorporated into, and are not part of, this document.

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

OBLIGATION INFORMATION

Authority and Purpose for Issuance

The capital improvements to be financed with the proceeds of the Bonds were authorized at elections held on various dates, and passed by a majority of the participating voters in the City (see “DEBT INFORMATION – Authorized General Obligation Bonds”). The City is authorized to issue the Bonds by voter authorization pursuant to Chapter 1331, Texas Government Code, Chapter 1371, Texas Government Code (“Chapter 1371”), the Bond Ordinance, and a pricing certificate evidencing the final terms of sale of the Bonds. Proceeds from the sale of the Bonds will be used to finance various capital improvements and to pay costs of issuance of the Bonds.

The Certificates are being issued pursuant to the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the “Certificate of Obligation Act”), Chapter 1371, the Certificate Ordinance, and a pricing certificate evidencing the final terms of sale of the Certificates. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuance of the Certificates.

Sources and Uses of Funds

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

	<u>The Bonds</u>	<u>The Certificates</u>	<u>Total</u>
Sources of Funds:			
Principal Amount	\$12,000,000.00	\$8,700,000.00	\$20,700,000.00
Original Issue Premium	<u>176,103.05</u>	<u>127,814.85</u>	<u>303,917.90</u>
Total	<u>\$12,176,103.05</u>	<u>\$8,827,814.85</u>	<u>\$21,003,917.90</u>
Uses of Funds:			
Deposit to Project Fund	\$12,000,000.00	\$8,700,000.00	\$20,700,000.00
Costs of Issuance	121,791.71	88,436.92	210,228.63
Underwriters' Discount	<u>54,311.34</u>	<u>39,377.93</u>	<u>93,689.27</u>
Total	<u>\$12,176,103.05</u>	<u>\$8,827,814.85</u>	<u>\$21,003,917.90</u>

General

Each series of Obligations shall be dated their respective dates of initial delivery, expected to be October 4, 2016 (the "Dated Date") and shall bear interest on the unpaid principal amounts from such date, at the per annum rates shown on the inside cover page of this document for each series of Obligations. Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds and the Certificates will be payable on March 1, 2017, and on each September 1 and March 1 thereafter until maturity or prior redemption. Principal is payable, upon presentation, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "OBLIGATION INFORMATION - Paying Agent/Registrar" in this document). Interest 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 (defined below) 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 registered owner. The Obligations are issued only as fully registered obligations in denominations of \$5,000 or any integral multiple thereof within a maturity and a series.

Notwithstanding the foregoing, so long as records of ownership of the Obligations are maintained through the book-entry-only system described under "OBLIGATION INFORMATION – Book-Entry-Only System" in this document, all payments of principal of, redemption premium, if any, and interest on the Obligations will be made in accordance with the procedures described in "OBLIGATION INFORMATION – Book-Entry-Only System" in this document.

The record date for the interest payable on any interest payment date is the 15th day of the month next preceding each interest payment date, as specified in the Ordinances. In the event of a nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, in accordance with the provisions of the Ordinances, 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 registered owner of Obligations 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 the notice.

Security

The Obligations constitute direct obligations of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to pay the principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenue (not to exceed \$1,000) of the City's solid waste disposal system.

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, referred to as the “Charter”, which also limits the City’s ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. See “TAX INFORMATION – Tax Rate Limitation” in this document.

Remedies

Each Ordinance establishes specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the registered owners, including but not limited to, their prospect or ability to be repaid in accordance with each Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City, each Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or each Ordinance and the City’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinances do not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the City to perform in accordance with the terms of each Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, each Ordinance provides that registered owners may exercise the remedy of mandamus to enforce the obligations of the City under each Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9

provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

Defeasance of Obligations

Each of the Ordinances provides for the defeasance of each of the Obligations when the payment of the principal of the Obligations of a series, plus interest to the due date (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 Obligations. Each of the Ordinances provides that “Defeasance Securities” means any securities now or hereafter permitted by law, including (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 are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. There is no assurance that the ratings for any Defeasance Security will be maintained by any particular rating agency.

Book-Entry-Only System

The City has elected to utilize the book-entry-only system of The Depository Trust Company, New York, New York (“DTC”), as described under this heading. The City is obligated to timely pay the Paying Agent/Registrar the amount due under the Ordinances. See “OBLIGATION INFORMATION - Paying Agent/Registrar” in this document. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Obligations are described in this document.

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

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

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered Obligations registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and

money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to as "Participants". DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested

by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for each series of the Obligations is Amegy Bank, a division of ZB, National Association, Plano, Texas. Interest on, and principal of, the Obligations will be payable, and transfer functions will be performed at, the corporate trust office designated to the City by the Paying Agent/Registrar (the “Designated Payment/Transfer Office”). In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Obligations are outstanding. 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 Obligations, the City agrees to promptly cause a written notice to be sent to each registered owner of the Obligations by United States mail, first class postage prepaid. This 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 Obligations 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. An Obligation 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 Obligation will be delivered by the Paying Agent/Registrar, in lieu of the Obligations 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. New Obligations 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 and series as the Obligations surrendered for exchange or transfer. See “OBLIGATION INFORMATION - Book-Entry-Only System” in this document for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

Limitation on Transfer of Bonds or Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond or Certificate 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 or Certificate.

Optional Redemption of the Obligations

The City reserves the right, at its option, to redeem the Bonds and the Certificates having stated maturities on and after September 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2026, or any date thereafter, at the price of par, without premium, plus accrued interest to the date fixed for redemption. If less than all of the Bonds or less than all of the Certificates are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity and series is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds and the Certificates are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds or the Certificates, or portions thereof, within such maturity and series to be redeemed.

Mandatory Redemption

The Bonds having stated maturities of September 1, 2032, September 1, 2034, and September 1, 2036, respectively (the “Term Bonds”), shall be subject to mandatory redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on September 1 in each of the years and in principal amounts as follows:

Term Bond due September 1, 2032		Term Bond due September 1, 2034		Term Bond due September 1, 2036	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2031	\$665,000	2033	\$705,000	2035	\$750,000
2032*	685,000	2034*	730,000	2036*	775,000

*Stated maturity.

The particular Term Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method, on or before July 15 of each year in which Term Bonds are to be mandatorily redeemed. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Bonds that have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation or have been optionally redeemed and which have not been made the basis for a previous reduction.

The Certificates having stated maturities of September 1, 2032, September 1, 2034, and September 1, 2036, respectively (the “Term Certificates”), shall be subject to mandatory redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on September 1 in each of the years and in principal amounts as follows:

Term Certificate due September 1, 2032		Term Certificate due September 1, 2034		Term Certificate due September 1, 2036	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2031	\$480,000	2033	\$510,000	2035	\$545,000
2032*	495,000	2034*	525,000	2036*	560,000

*Stated maturity.

The particular Term Certificates to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method, on or before July 15 of each year in which Term Certificates are to be mandatorily redeemed. The principal amount of Term Certificates to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Certificates that have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation or have been optionally redeemed and which have not been made the basis for a previous reduction.

Notice of Redemption

At least 30 days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Obligation to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms, conditions and provisions relating thereto contained in the Ordinances. Such notice shall state that the redemption is conditioned upon receipt of sufficient funds for the payment of the redemption price for the Obligations which are to be redeemed. If an Obligation (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 Obligation (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Obligation shall cease to accrue from and after the redemption date of the Obligation, 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.

If a notice of redemption is given and sufficient funds are not received for the payment of the required redemption price for the Obligations which are to be redeemed, the notice shall be of no force and effect, the City shall not redeem the

Obligations, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Obligations have not been redeemed.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, Williamson Central Appraisal District and Hays Central Appraisal District (collectively, the “Appraisal Districts”). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under Title 1, Texas Tax Code (commonly known as the “Property Tax Code”) to appraise all property within the Appraisal Districts on the basis of 100% of the property’s market value and are 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 property’s market value in the most recent tax year in which the market value was determined by an Appraisal District or (2) the sum of (a) 10% of the property’s appraised value in the preceding tax year, plus (b) the property’s appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. State law requires the appraised value of a residence homestead to be based solely on the property’s value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. The value placed upon property within the Appraisal Districts is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of each Appraisal District. The Appraisal Districts are required to review the value of property within the Appraisal Districts 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.

Once authorized, the exemption described under (1) above may be repealed, or decreased or increased in amount, (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

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.

The surviving spouse of an individual who qualifies for the exemption described under (1) above for the residence homestead of a person 65 years of age or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual’s spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 1-b, Article VIII, and State law authorize a county, city, town or junior college district to establish an ad valorem tax freeze on residence homesteads of persons who are disabled or 65 years of age or older. If the City Council does not

take action to establish the tax limitation, voters within the City may submit a petition signed by five percent of the registered voters of the City requiring the City Council to call an election to determine by majority vote whether to establish the tax limitation.

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the residence homestead exemption for persons who are disabled or 65 years of age or older may not be increased, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is 55 years of age or older at the time of the person's death. In addition, the tax limitation applicable to a person's homestead may be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

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, 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.

Article VIII, Section 1-n, provides for an exemption from taxation for "goods-in-transit." "Goods-in-transit" are defined as (i) personal property acquired or imported into Texas and transported to another location in the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 2011, to provide for the taxation of the goods-in-transit. After holding the public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt of the taxing unit, the tax officials of the taxing unit may continue to impose the taxes on the goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

Freeport property is exempt from taxation by the City, and, on October 20, 2011, the City took action to tax goods-in-transit.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older and of the disabled of \$82,500.

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City may also 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 ten (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.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code (“Chapter 380”), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by the voters of the City. The City has entered into several such Chapter 380 agreements in recent years.

Tax Valuation – TABLE ONE

January 1, 2016 Certified Appraised Value (1)		\$157,094,739,094
Less Local Exemptions to Assessed Values: (2)		
Residential Homestead	\$3,738,051,598	
Residential Homestead over 65	2,874,653,937	
Homestead 10% Increase Cap	4,020,876,790	
Disabled Veterans	282,718,906	
Agricultural and Historical Exemptions	767,805,275	
Disability Exemption	190,622,933	
Other Exemptions	18,352,918,338	
Freeport Exemption	1,088,941,307	<u>\$31,316,589,085</u>
January 1, 2016 Net Taxable Assessed Valuation (1)		\$125,778,150,009

-
- (1) Appraised value is subject to change pending additional exemption and appeals.
- (2) Exemptions or adjustments to assessed valuation granted in 2016 include (a) 8% of the assessed valuation of a residence homestead; (b) exemptions of \$82,500 for homestead property of property owners who are over 65 years of age or disabled; (c) exemptions for residence homestead property exceeding a 10 percent increase in valuation from the previous year; (d) exemptions for property of disabled veterans or certain surviving dependents of disabled veterans; (e) certain adjustments to productive agricultural lands; (f) exemptions to the land designated as historically significant sites by certain public bodies; (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.

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

Statement of Debt (As of September 30, 2016)

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

Public Improvement Bonds (1)	\$1,000,955,000	
Certificates of Obligation (1)	204,155,000	
Contractual Obligations (1)	90,500,000	
Mueller Contract Revenue Obligations	49,410,000	
The Tax-Exempt Obligations (2)	164,935,000	
The Obligations (2)	20,700,000	
Assumed MUD Bonds (3)	<u>7,654,994</u>	
Total		\$1,538,309,994
Less Self-Supporting Debt:		
Assumed MUDs (3)	\$7,654,994	
Mueller Contract Revenue Obligations	49,410,000	
Airport (4)	78,245	
Austin Energy (4)	404,945	
Austin Resource Recovery (4)	44,275,377	
Austin Water (4)	8,775,615	
Building Services (4)	123,447	
City Hall (4)	9,901,627	
Code Compliance (4)	531,021	
Convention Center (4)	15,060,890	
Financial Services (4)	14,692,458	
Fleet Management (4)	2,320,780	
Golf (4)	420,411	
One Texas Center (4)	1,507,983	
Seaholm (2) (4)	8,700,000	
Transportation (4)	18,900,822	
Waller Creek (4)	95,969,590	
Watershed Protection (4)	<u>33,714,227</u>	
Total Self-Supporting		\$312,442,432
Interest and Sinking Fund (5)	<u>20,036,897</u>	
Net Debt		<u>\$1,205,954,112</u>
Ratio Total Debt to 2016 Net Taxable Assessed Valuation		1.39%
Ratio Net Debt to 2016 Net Taxable Assessed Valuation		1.09%

2016 Population (Estimate) – 913,917 (6)
Per Capita Net Taxable Assessed Valuation – \$121,175
Per Capita Net Debt Outstanding – \$1,319.54

-
- (1) Excludes the Obligations, Tax-Exempt Obligations and \$63,660,000 of obligations refunded by the City's Public Improvement and Refunding Bonds, Series 2016 (see "DEBT INFORMATION – Concurrent Issuance of General Obligation Debt" in this document).
- (2) The Obligations and the Tax-Exempt Obligations were sold concurrently pursuant to separate official statements, and are expected to be delivered concurrently on October 4, 2016. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.
- (3) Represents bonds of the Northwest Austin MUD#1 annexed by the City.

[footnotes continued on following page]

- (4) Airport, Austin Energy, Austin Resource Recovery, Austin Water, Building Services, City Hall, Code Compliance, Convention Center, Fleet Management, Golf, One Texas Center, Transportation, Waller Creek, and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for these departments or offices is paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise. Fleet Management and One Texas Center are internal service funds that generate revenue through charges to user departments.
- (5) Represents estimate of cash plus investments at cost on September 30, 2016.
- (6) Source: City of Austin Department of Planning and Development based on full purpose area as of January 2016.

Revenue Debt (As of August 31, 2016)

In addition to the above, on a pro forma basis, the City had outstanding \$27,844,345 Combined Utility Systems Revenue Bonds payable from a first lien on the combined net revenue of the Electric System and the Water and Wastewater System and \$119,001,511 Combined Utility System Revenue Bonds payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; \$1,169,050,000 Electric Utility Obligations payable from a separate lien on the net revenues of the Electric Utility System; \$2,245,785,000 Water and Wastewater Obligations payable from a separate lien on the net revenue of the Water and Wastewater System, and \$65,992,000 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 \$519,908,000 Airport System Revenue Bonds payable from net revenues of the City's Airport System. The City also has outstanding \$160,000,000 in Convention Center Bonds, payable from hotel/motel occupancy and rental car tax collections.

Obligations Subject to Annual Appropriation

With respect to the redevelopment of the property formerly known as Robert Mueller Municipal Airport ("Mueller"), the City entered into a Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004 (the "Development Agreement"), and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation created by the City. The City has entered into an economic development grant agreement (the "Grant Agreement") with Mueller Local Government Corporation ("MLGC"), a non-profit local government corporation created by the City to act on its behalf with respect to the redevelopment of Mueller. MLGC was created in response to the provisions of the Development Agreement. Under the terms of the Grant Agreement, the City will make grant payments to MLGC from the General Fund, subject to annual appropriation by the City, in amounts sufficient to pay debt service on bonds issued by MLGC to fund Public Finance Reimbursable Project Costs and pay administrative costs associated with such bonds. It is anticipated that sales tax revenues generated by properties developed at Mueller will be sufficient to fund the grants throughout the term of the Grant Agreement. \$12,000,000 in Contract Revenue Bonds were issued in 2006 by MLGC to finance Public Finance Reimbursable Project Costs.

The City has also created a tax increment reinvestment zone for the Mueller project to include Reinvestment Zone Number Sixteen (the "Zone") and neighboring areas for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development in the Zone which consists of approximately 700 acres. Currently, only the City participates in the Zone by contributing its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone. The tax increment revenues of the City will be contributed by the City to the MLGC pursuant to the terms of a Tri-Party Agreement among the City, the MLGC and the Zone (the "Tri-Party Agreement"). In addition, the City has agreed to consider making payments to the MLGC under a grant agreement between the City and the MLGC, pursuant to which the City may make available to the MLGC grant funds in amounts sufficient to pay debt service on the Tax Increment Contract Revenue Bonds, should Pledged Revenues be insufficient to allow the MLGC to meet its debt service payment obligations. The grant payments are to be funded from available moneys in the City's general fund, subject to annual appropriation. The City is under no obligation to make grant payments. The MLGC has issued three series of Tax Increment Contract Revenue Bonds, aggregating \$47,580,000 in principal amount, backed by tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone.

Valuation and Funded Debt History – TABLE TWO

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
2008	746,105	\$68,736,790,926	\$92,128	\$907,667	\$1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.97	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,649	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	100.01%
2015	899,119	98,652,179,430	109,721	1,409,384	1,567.52	1.43%	99.88%
2016	913,917	110,743,469,158	121,175	1,205,954 (4)	1,319.54 (4)	1.09% (4)	99.70% (3)
2017	937,065	125,778,150,009	134,226	1,264,962 (4)	1,349.92 (4)	1.01% (4)	N/A

- (1) Source: 2015 City of Austin Comprehensive Annual Financial Report (“CAFR”) – Table 18, through fiscal year ending 2015; City of Austin Department of Planning and Development based on full purpose area as of January 2016, for fiscal years ending 2016 and 2017.
- (2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer in from the Operating Budget. See “DEBT INFORMATION.”
- (3) Estimated Collections as of June 30, 2016 based on the July 2015 Certified Tax Roll tax levy.
- (4) Includes the Tax-Exempt Obligations and the Obligations (aggregate issuance of \$185,635,000 par amount) and excludes \$63,660,000 of obligations refunded by the City’s Public Improvement and Refunding Bonds, Series 2016. See “DEBT INFORMATION - Concurrent Issuance of General Obligation Debt” in this document.

Tax Rate, Levy and Collection History – TABLE THREE

Fiscal Year Ended 9-30	Total Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2008	0.4034	0.2730	0.1304	\$277,284,215	99.14%	99.70%
2009	0.4012	0.2749	0.1263	307,929,055	99.03%	99.57%
2010	0.4209	0.2950	0.1259	340,762,917	98.97%	99.22%
2011	0.4571	0.3262	0.1309	354,798,046	99.13%	99.42%
2012	0.4811	0.3551	0.1260	381,126,366	99.27%	99.27%
2013	0.5029	0.3821	0.1208	418,888,224	99.36%	99.36%
2014	0.5027	0.3856	0.1171	446,227,175	99.27%	100.01%
2015	0.4809	0.3691	0.1118	474,418,331	99.30%	99.88%
2016	0.4589	0.3527	0.1062	508,201,780	99.18% (1)	99.70% (1)
2017	0.4418	0.3399	0.1019	555,687,867	N/A	N/A

- (1) Estimated collections as of June 30, 2016 based on the July 2015 Certified Tax Roll tax levy.

Ten Largest Taxpayers – TABLE FOUR

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	January 1, 2016 <u>Taxable Assessed Valuation</u>	% of Total Taxable <u>Assessed Valuation</u>
Samsung Semiconductor LLC	Manufacturing	\$2,278,757,419	1.81%
CSHV Properties LLC	Commercial	778,524,588	0.62%
Columbia/St David's Healthcare	Hospital/Medical	524,315,780	0.42%
Finley Company	Commercial	441,471,532	0.35%
Apple Inc	Commercial	411,803,833	0.33%
G&I Properties LLC	Commercial	376,959,869	0.30%
HEB Grocery Company	Retail	280,723,199	0.22%
IMT Capital II Riata LP	Commercial	269,944,089	0.21%
Domain Mall LLC	Commercial	249,924,720	0.20%
Parkway Properties LLC	Commercial	238,000,000	0.19%
TOTAL		<u>\$5,850,425,029</u>	4.65%

Source: Travis Central Appraisal District.

Property Tax Rate Distribution – TABLE FIVE

	Fiscal Year Ended September 30				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund	\$.3821	\$.3856	\$.3691	\$.3527	\$.3399
Interest and Sinking Fund	<u>.1208</u>	<u>.1171</u>	<u>.1118</u>	<u>.1062</u>	<u>.1019</u>
Total Tax Rate	\$.5029	\$.5027	\$.4809	\$.4589	\$.4418

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

Net Taxable Assessed Valuations, Tax Levies and Collections – TABLE SIX

Fiscal Year Ended	Valuation	Real Property		Personal Property		Net Taxable	Total	% Current	% Total
<u>9-30</u>	<u>Date</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Collections</u>
2008	1-1-07	\$61,455,307,904	89.41%	\$7,281,483,022	10.59%	\$68,736,790,926	\$277,284,215	99.14%	99.70%
2009	1-1-08	68,790,111,385	89.63%	7,961,896,352	10.37%	76,752,007,737	307,929,055	99.03%	99.57%
2010	1-1-09	72,733,550,671	89.84%	8,226,990,305	10.16%	80,960,540,976	340,762,917	98.97%	99.22%
2011	1-1-10	70,501,655,045	90.83%	7,117,694,339	9.17%	77,619,349,384	354,798,046	99.13%	99.42%
2012	1-1-11	70,283,821,626	88.72%	8,935,959,253	11.28%	79,219,780,879	381,126,366	99.27%	99.27%
2013	1-1-12	73,663,555,699	88.44%	9,630,980,794	11.56%	83,294,536,493	418,888,224	99.36%	99.36%
2014	1-1-13	79,399,650,702	89.45%	9,366,447,458	10.55%	88,766,098,160	446,227,175	99.27%	100.01%
2015	1-1-14	88,868,446,944	90.08%	9,783,732,486	9.92%	98,652,179,430	474,418,331	99.30%	99.88%
2016	1-1-15	100,575,250,921	90.82%	10,168,218,237	9.18%	110,743,469,158	508,201,780	99.18% (1)	99.70% (1)
2017	1-1-16	115,478,193,091	91.81%	10,299,956,918	8.19%	125,778,150,009	555,687,867	N/A	N/A

(1) Estimated collections through June 30, 2016 based on the July 2015 Certified Tax Roll tax levy.

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

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.

Administratively, pursuant to Title 1, Section 53.5 of the Texas Administrative Code, the Texas Attorney General prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of such \$2.50 maximum tax rate, calculated at 90% collection. The issuance of the Obligations will not exceed the above-described limits or violate the Texas Attorney General's administrative rule.

Tax Procedures

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.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection 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.

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

DEBT INFORMATION (a)

Debt Service Requirements

Fiscal Year Ending 09/30	Public Improvement Bonds	Certificates of Obligation	Contractual Obligations	Assumed NW Austin MUD #1	Mueller Contract Rev Bonds	Less Refunded Obligations	The Obligations and The Tax-Exempt Obligations	Grand Total Requirements	Less Self-Supporting Requirements (b)	Net Total Requirements	Percent Principal Pay out
2017	\$107,456,600	\$16,620,015	\$24,426,659	\$1,008,319	\$4,112,115	\$2,920,894	\$18,204,134	\$168,906,948	\$42,939,947	\$125,967,001	
2018	104,443,653	16,486,280	24,165,629	1,012,938	4,223,315	2,920,894	15,432,557	162,843,478	40,643,154	122,200,323	
2019	105,920,154	16,554,288	20,374,806	1,030,083	4,337,715	7,405,894	17,848,657	158,659,810	37,674,226	120,985,583	
2020	106,049,664	16,533,471	15,444,375	1,033,498	4,453,040	7,471,494	17,863,607	153,906,161	34,155,605	119,750,556	26.17%
2021	106,605,274	16,608,367	8,710,344	1,046,118	4,577,790	7,542,294	18,714,907	148,720,507	30,333,447	118,387,059	
2022	102,804,004	16,686,644	3,932,625	1,036,678	4,700,709	7,605,219	18,254,432	139,809,872	26,238,565	113,571,307	
2023	98,495,834	16,763,057	1,224,875	1,041,188	4,837,296	7,635,813	17,772,993	132,499,430	22,753,575	109,745,856	
2024	95,552,367	16,826,394		1,038,575	4,973,965	5,567,125	14,299,227	127,123,403	22,519,746	104,603,657	
2025	91,001,559	16,895,758		1,044,475	5,109,565	5,722,925	12,780,873	121,109,306	20,863,046	100,246,259	56.78%
2026	87,255,734	16,961,131		943,463	5,255,965	6,539,100	13,832,414	117,709,607	20,680,578	97,029,029	
2027	81,947,892	16,996,723			4,415,465	12,038,919	18,557,143	109,878,305	17,289,768	92,588,536	
2028	75,511,154	17,062,935			4,572,934	15,590,975	21,576,808	103,132,856	17,403,863	85,728,993	
2029	65,694,895	16,232,866			4,735,059		9,019,020	95,681,839	17,590,354	78,091,485	
2030	58,181,044	15,971,018			2,155,401		8,853,856	85,161,319	14,744,215	70,417,104	84.16%
2031	48,390,407	14,249,775			2,151,864		8,685,757	73,477,802	13,779,986	59,697,816	
2032	41,565,116	12,983,950			2,155,369		8,934,412	65,638,847	13,100,224	52,538,623	
2033	36,560,639	11,746,628					6,694,791	55,002,058	10,396,936	44,605,122	
2034	26,444,201	11,762,921					5,790,050	43,997,172	10,410,168	33,587,003	
2035	10,048,330	8,065,313					5,745,884	23,859,526	7,471,657	16,387,869	98.52%
2036		4,600,263					5,781,949	10,382,212	5,298,513	5,083,699	
2037		4,593,169						4,593,169	4,593,169		
2038		4,262,138						4,262,138	4,262,138		
2039		2,699,838						2,699,838	2,699,838		
2040		2,315,513						2,315,513	2,315,513		
2041		2,329,988						2,329,988	2,329,988		100.00%
2042											

(a) As of September 30, 2016

(b) Includes principal and interest on all self-supporting debt (see "Statement of Debt", p. 11).

Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (in 000's)

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 the major taxing bodies in the area.

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt (1)</u>	<u>Estimated % Applicable</u>	<u>Overlapping Funded Debt</u>
Austin, City of (2)	\$ 1,205,954	100.00%	\$ 1,205,954
Austin Community College	245,489	69.75%	171,228
Austin Independent School District	819,227	94.96%	777,938
Avery Ranch Road District #1	9,660	99.39%	9,601
Del Valle Independent School District	189,095	72.16%	136,451
Leander Independent School District	1,068,830	11.89%	127,084
Manor Independent School District	271,835	73.59%	200,043
Pflugerville Independent School District	498,050	35.02%	174,417
Round Rock Independent School District	806,725	34.55%	278,723
Travis County	717,256	72.08%	516,998
Williamson County	970,670	11.21%	108,812
Eanes Independent School District	155,960	32.44%	50,593
Northtown MUD	23,345	30.19%	7,048
Travis County Healthcare	11,355	72.08%	8,185
Travis County MUD #8	5,702	3.71%	212
TOTAL DIRECT AND OVERLAPPING FUNDED DEBT			<u>\$ 3,773,288</u>
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (3)			3.41%
Per Capita Overlapping Funded Debt (4)			\$4,128.70

(1) Source: Obtained from the Municipal Advisory Council of Texas on August 4, 2016, with the exception of the City of Austin; as of July 31, 2016.

(2) As of September 30, 2016. Includes the Obligations and Tax-Exempt Obligations (aggregate issuance of \$185,635,000 par amount). Excludes \$63,660,000 of obligations refunded by the City's Public Improvement and Refunding Bonds, Series 2016 and general obligation debt reported in proprietary funds. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

(3) Based on assessed valuation of \$110,743,469,158 provided by the Travis County Appraisal District, Williamson County Appraisal District, and Hays County Appraisal District on July 18, 2016, July 20, 2016, and August 4, 2016, respectively.

(4) Based on 2016 estimated population of 913,917.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimated the portion of the outstanding debt of those overlapping governments that is borne by the City's residents and businesses. This process recognized that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by its residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Authorized General Obligation Bonds – TABLE SEVEN

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>		<u>Amount</u>		<u>Unissued</u>
		<u>Authorized</u>	<u>Authorized</u>	<u>Previously</u>	<u>Bonds Being</u>	
				<u>Issued</u>	<u>Issued</u>	<u>Balance</u>
Brackenridge 2000	10-22-83	\$ 50,000,000	\$ 40,785,000	\$ -	-	\$9,215,000
Park 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
Cultural Facilities	11-07-06	31,500,000	27,500,000	-	-	4,000,000
Public Safety Improvements	11-07-06	58,100,000	53,100,000	-	-	5,000,000
Transportation and Mobility	11-06-12	143,299,000	84,340,000	29,180,000	29,180,000	29,779,000
Park Improvements	11-06-12	77,680,000	25,135,000	18,755,000	18,755,000	33,790,000
Public Safety Improvements	11-06-12	31,079,000	15,120,000	2,345,000	2,345,000	13,614,000
Health & Human Services	11-06-12	11,148,000	6,145,000	205,000	205,000	4,798,000
Library, Museum and Cultural Arts	11-06-12	13,442,000	4,615,000	3,325,000 (1)	3,325,000 (1)	5,502,000
Affordable Housing	11-05-13	<u>65,000,000</u>	<u>20,000,000</u>	<u>10,000,000</u> (1)	<u>10,000,000</u> (1)	<u>35,000,000</u>
		\$511,508,000	\$301,278,000	\$63,810,000	\$63,810,000	\$146,420,000

(1) Bonds issued for Austin Film Studios (\$2 million) and Affordable Housing projects (\$10 million) are being sold as taxable bonds.

The City Council has called a bond election, to be held on November 8, 2016, seeking the authority to issue up to \$720 million of general obligation bonds to finance transportation and mobility projects.

The City may also incur non-voted debts payable from or secured by its collection of ad valorem taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations and leases for various purposes.

Concurrent Issuance of General Obligation Debt

Concurrently with the sale of the Obligations, the City sold the Tax-Exempt Obligations, pursuant to a separate official statement. A portion of the proceeds from the sale of the Tax-Exempt Obligations will be used to refund certain ad valorem tax-supported obligations of the City (the “Refunded Obligations”). The Tax-Exempt Obligations are expected to be delivered concurrently with the delivery of the Obligations.

Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City’s Home Rule Charter (see – “TAX INFORMATION - Tax Rate Limitations” in this document).

FISCAL MANAGEMENT

The Capital Improvement 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 fiscal 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 debt to sell to fund capital improvements.

2016-2017 Capital Budget

The 2016-2017 five-year Capital Improvement Program (CIP) plan estimates city-wide capital spending in 2016-2017 of \$901.7 million.

The first year of the five-year plan was used to determine the new appropriations required for inclusion in the 2016-2017 Proposed Capital Budget. The proposed city-wide total appropriation is \$1.136 billion. Appropriation by department is listed below.

Summary of 2016-2017 Proposed Capital Budget (millions):

Austin Convention Center	\$ 50.1
Austin Energy	210.2
Austin Public Library	6.5
Austin Resource Recovery	8.1
Austin Transportation	5.0
Austin Water	545.2
Aviation	203.3
Building Services	5.2
Communications and Technology Management	16.6
Development Services	1.0
Fire	0.6
Fleet	17.9
Health and Human Services	2.9
Neighborhood Housing and Community Development	14.1
Parks and Recreation	13.0
Planning and Zoning	1.2
Public Works	3.5
Watershed Protection	<u>31.6</u>
TOTAL PROPOSED NEW APPROPRIATIONS	<u>\$1,136.0</u>

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

Operating Budget

The City's Home Rule Charter and State 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 re-appropriation. The budget process in the City normally commences with all department heads submitting to the Chief Financial Officer of the City a detailed estimate of the appropriations required for their respective departments during the next fiscal year. The Chief Financial Officer of the City, in turn, forwards these estimates to the City Manager, who submits them to the Mayor and City Council for their consideration and approval.

In FY 2015-16, General Fund financial policies regarding reserves were revised to combine the Emergency Reserve Fund with the General Fund Contingency Reserve Fund and establish a 12% target for the sum of all General Fund reserves. Beginning in FY 2016, the Emergency Reserve shall maintain a balance of 6% of total General Fund requirements. Previously, the policy set the Emergency reserve amount at \$40 million and set the Contingency Reserve at 1% of departmental expenditures. Reserve usage and replenishment requirements did not change.

The Budget Stabilization Reserve Fund is budgeted to end FY 2016-17 at \$58.1 million and the Emergency Reserve Fund at \$58.2 million. In total, the combined budgeted ending balances of the two reserves equal \$116.3 million, or 12.0% of total spending requirements in the General Fund.

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

2016–2017 Budget (in 000's)

The proposed 2016-2017 operating budget was prepared in accordance with guidelines provided by the City Council. The proposed budget included a total tax rate of \$0.4411 per \$100 assessed valuation. A tax rate of \$0.4411 per \$100 assessed valuation would generate revenue for the proposed budget as set forth below. The following is a summary of the proposed 2016-2017 General Fund Budget.

Beginning Balance, October 1, 2016 (Budget Basis)		
<u>Summary of Budgeted General Fund Resources</u>		
Revenue:		
General Property Taxes	\$413,421	
City Sales Tax	224,166	
Other Taxes	11,748	
Gross Receipts/Franchise Fees	36,717	
Miscellaneous	<u>132,256</u>	
Total Revenue		\$818,308
Transfers In:		
Electric Revenue	\$108,000	
Water Revenue	42,877	
Water Infrastructure Inspection	<u>0</u>	
Total Transfers In		<u>150,877</u>
Total General Fund Resources		<u>\$969,185</u>
<u>Summary of Budgeted General Fund Requirements</u>		
Departmental Appropriations:		
Administrative Services	\$ 22,103	
Urban Growth Management	51,831	
Public Safety	657,159	
Public Health and Human Services	78,638	
Public Recreation and Culture	<u>128,638</u>	
Total Departmental Appropriations		\$938,369
Transfers Out		24,203
Other Requirements		<u>6,613</u>
Total General Fund Requirements		<u>\$969,185</u>
Use of Beginning Balance		0
Ending Balance		<u>0</u>
<u>Budgeted Reserve Requirements</u>		
Emergency Reserve	\$ 58,217	
Contingency Reserve	0	
Property Tax Reserve	4,500	
Budget Stabilization Reserve Fund	<u>58,097</u>	
Total Budgeted Reserve Requirements		<u>\$120,814</u>

The final budget which was adopted by the City Council after the date of this Official Statement reflects a total tax rate of \$0.4418 and changes to General Fund Resources and General Fund Requirements to the proposed General Fund Budget reflected above. For additional information relating to the financial planning and budget policies and controls of the City, see APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY – Financial Information” in this document.

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 Home Rule 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 in this document.

Short-Term Borrowing

Pursuant to Section 1431, Texas 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. Anticipation notes issued for this purpose must mature before the first anniversary of the date the Attorney General approves the anticipation notes.

INVESTMENTS

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

Legal Investments

Under Texas law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by a combination of cash and the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and that otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, 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; and (13) 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 above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. The City may also invest bond proceeds in guaranteed investment contracts that have a defined

termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Effective September 1, 2005, the City, as the owner of a municipal electric utility that is engaged in the sale of electric energy to the public, may invest funds held in a "decommissioning trust" (a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation) in any investment authorized by Subtitle B, Title 9, Texas Property Code (commonly referred to as the "Texas Trust Code"). The Texas Trust Code provides that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

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

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield and maturity; and also that address the quality and capability of investment personnel. The policy includes a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (1) 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.

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

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of 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 and the ending value of

each pooled fund group; (4) the book value and market value of each separately listed asset at the end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to (a) adopted Investment Strategy Statements and (b) State law. No person may invest City funds without express written authority of the City Council or the Chief Financial Officer of the City.

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered representative 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 Chief Financial Officer of the City, Treasurer and Investment Officers.

Current Investments – TABLE EIGHT

As of June 30, 2016, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U. S. Treasuries	13%
U. S. Agencies	42%
Money Market Funds	3%
Local Government Investment Pools	42%

The dollar weighted average maturity for the combined City investment portfolios is 280 days. The City prices the portfolios weekly utilizing a market pricing service.

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

**GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND
BALANCE – TABLE NINE**
(in 000's)

	Fiscal Year Ended September 30				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Revenues:</u>					
Taxes (1)	\$409,344	\$448,537	\$498,605	\$527,783	\$572,640
Franchise Fees	32,904	32,578	35,040	46,762	37,842
Fines, Forfeitures and Penalties	18,131	15,784	16,971	17,130	17,305
Licenses, Permits and Inspections	18,653	22,664	28,669	33,719	39,006
Charges for Services	44,464	44,147	49,579	57,974	58,297
Interest and Other	<u>5,096</u>	<u>4,414</u>	<u>6,027</u>	<u>9,335</u>	<u>11,831</u>
Total Revenues	\$528,592	\$568,124	\$634,891	\$692,703	\$736,921
<u>Expenditures:</u>					
Administration	\$ 12,229	\$ 12,674	\$ 13,926	\$ -	\$ -
Urban Growth Management	34,299	38,419	44,934	57,636	60,428
Public Safety	422,092	447,944	473,980	515,437	556,417
Public Services and Utilities	14	-	-	-	-
Public Health	39,230	41,991	48,232	54,608	61,504
Public Recreation and Culture	72,189	71,753	81,893	90,441	99,955
Transportation, Planning and Sustainability (3)	-	5	9	249	4
Nondepartmental Expenditures	<u>74,291</u>	<u>83,875</u>	<u>87,126</u>	<u>88,865</u>	<u>100,561</u>
Total Expenditures	\$654,344	\$696,661	\$750,100	\$807,236	\$878,869
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	\$(125,752)	\$(128,537)	(\$115,209)	(\$114,533)	(\$141,948)
<u>Other Financing Sources (Uses):</u>					
Transfers from Other Funds	141,448	144,208	145,764	162,622	153,936
Transfers to Other Funds	<u>(9,487)</u>	<u>(19,761)</u>	<u>(13,626)</u>	<u>(27,515)</u>	<u>(30,304)</u>
Net Other Financing Sources	\$131,961	\$124,447	\$132,138	\$135,107	\$123,632
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	\$ 6,209	\$ (4,090)	\$ 16,929	\$ 20,574	\$ (18,316)
Special Item – Land Sale (See FY15 CAFR Note 1)	-	-	-	<u>15,830</u>	<u>11,983</u>
Fund Balances at Beginning of Year	<u>128,044</u>	<u>134,253</u>	<u>130,163</u>	<u>147,092</u>	<u>183,496</u>
Fund Balances at End of Year (2)	<u>\$134,253</u>	<u>\$130,163</u>	<u>\$147,092</u>	<u>\$183,496</u>	<u>\$177,163</u>

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

(2) In addition to the budget stabilization reserve, the ending balance includes a contingency reserve of approximately \$7.2 million and an emergency reserve of approximately \$40 million.

(3) Reported with Urban Growth Management prior to 2012.

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

CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax – TABLE TEN

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</u> <u>Sales and Use Tax</u>	<u>(in 000's)</u> <u>Sales and Use Tax</u>	<u>% of</u> <u>Ad Valorem Tax Levy</u>
2008	\$208.84	\$154,445	55.70%
2009	182.51	139,795	45.40%
2010	186.01	144,710	42.47%
2011	189.01	151,125	42.59%
2012	200.27	164,193	43.08%
2013	209.08	176,198	42.06%
2014	218.72	189,464	42.46%
2015	226.92	204,029	43.01%
2016 (1)	233.50	213,400	41.99%
2017 (2)	239.22	224,166	40.38%

(1) Estimate.

(2) Estimate used in FY 2017 Proposed Budget.

Transfers from Utility Funds – TABLE ELEVEN

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>(in 000's)</u> <u>Transfers</u>	<u>% of General</u> <u>Fund Requirements</u>
2008	\$115,629	19.8%
2009	121,505	20.9%
2010	129,967	21.5%
2011	134,263	20.8%
2012	136,919	19.8%
2013	139,548	17.8%
2014	142,909	18.1%
2015	143,755	16.9%
2016 (1)	145,793	16.1%
2017 (2)	150,877	15.6%

(1) Estimate.

(2) Estimate used in FY 2017 Proposed Budget.

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

ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

The Enterprise Funds account for the activities of the City that render services on a user charge basis to the general public. Set forth on pages B-32 and B-33 of APPENDIX B in this document is a summary of the revenues, expenses, transfers and net position of the City's enterprise funds for the year ended September 30, 2015.

THE SYSTEMS

The City owns and operates an Electric Utility System (also referred to in this document as "Austin Energy") and a Water and Wastewater System (also referred to in this document as the "Austin Water" or the "Water and Wastewater Utility") which provide the City, adjoining areas of Travis County and certain adjacent areas of Williamson County with electric, water and wastewater services. The City owns all the facilities of the Water and Wastewater System. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, the City individually owns gas/oil-fired electric generation facilities, which are available to meet Electric Utility System demand. The Electric Utility System had approximately 1,676 full-time regular employees as of September 30, 2015. The Water and Wastewater System had approximately 1,147 full-time regular employees as of the same date.

STRATEGIC PLANS, GOALS AND POLICIES

Strategic Plan

In December 2003, the City Council approved a strategic plan for Austin Energy. The plan identified three strategies to position Austin Energy for continued success. Austin Energy operates under the approved 2003 strategic plan but new initiatives are underway, including the Technology Roadmap Project, the Facilities Master Plan, and the New Generation Plan. See "STRATEGIC PLANS, GOALS AND POLICIES – Austin Energy Resource, Generation, and Climate Protection Plan to 2025: An Update of the 2020 Plan" in this document.

First, an overarching Risk Management Strategy guides Austin Energy to manage its exposure when considering future courses of action. This approach allows Austin Energy to prepare for future options without prematurely investing and allows time for more information to become known before major commitments are made.

Second, a strategy to provide Excellent Customer Service positions Austin Energy to meet evolving customer expectations in a rapidly changing energy industry. Under this strategy, Austin Energy intends to build employee and customer satisfaction so that it is positioned for competition or regulation in the future.

Third, an Energy Resource strategy directs Austin Energy to seek cost-effective renewable energy and conservation solutions to meet customers' new energy needs before resorting to traditional fossil fuel sources. In keeping with the risk management approach, Austin Energy has developed a Resource, Generation and Climate Protection Plan to 2025 discussed further in the next section.

Austin Energy Resource, Generation, and Climate Protection Plan to 2025: An Update of the 2020 Plan

In 2007, the City Council adopted the Austin Climate Protection Plan ("ACPP") to build a more sustainable community. Austin Energy developed a Resource, Generation and Climate Protection Plan to 2020 (the "RGCP Plan") to meet these objectives, which was approved by the City Council in 2010 and further refined in 2011 by the City Council by adding affordability metrics. Austin Energy will review the RGCP Plan annually and issue a report on performance against goals. Austin Energy will reassess the RGCP Plan in a public forum every two years, the latest of which took place in 2014.

In April 2014, the City Council (1) passed Resolution No. 20140410-024 ("2014 ACPP") that recognized the need to further accelerate the reduction of greenhouse gas emissions beyond the initial ACPP standards and set a goal of reaching net zero community-wide greenhouse gas emissions by 2050, preferring to achieve this goal sooner if feasible, and (2) appointed the 2014 Austin Generation Resource Planning Task Force to make recommendations on the utility's generation mix to 2025 and to further move the energy sector of the City toward achieving the emissions standards set forth in the 2014 ACPP. On July 9, 2014, the Task Force approved recommendations for updating the RGCP Plan. In August 2014,

the City Council approved Resolution No. 20140828-157 and Resolution No. 20140828-158, which placed several Task Force recommendations into policy, subject to affordability metrics. Subsequently, based upon the same modeling used for resource planning analysis, Austin Energy performed an affordability analysis of implementing Resolution No. 20140828-157. This analysis indicated that Austin Energy would likely exceed the City Council's affordability metrics and could cost utility customers \$550 million above a business-as-usual case over the next 10 years.

On October 9, 2014, Austin Energy presented the results of its resource planning update, as scheduled, recommending the 500+ Plan, which included many of the Task Force recommendations, expanded renewable generation and replaced the Decker Creek Power Station's steam units with a highly efficient combined cycle gas turbine unit by 2018. The 500+ Plan showed that local generation is critical to maintaining affordability by providing revenues back to Austin Energy and by moderating local electric market prices.

The 2014 Resource Plan Update, resulting in the Resource, Generation and Climate Protection Plan to 2025 (the "2014 Plan") represents recommendations for a resource plan that makes further refinements to the 500+ Plan and brings together generation and energy demand management options over the planning horizon to the year 2025. Developing the 2014 Plan involved extensive analysis by Austin Energy of the expected costs, risks and opportunities to meet the future demand for electricity services by a highly skilled and experienced staff with the help of a calibrated and tested production cost model. The 2014 Plan outlined in this document is based on the current understanding of technology and of national, state and local energy policies.

The recommendations are designed to be flexible and dynamic. As the circumstances change, the City and Austin Energy will maintain flexibility to modify elements to respond to a range of factors, including economic conditions, customer load, fuel prices and power supply availability, infrastructure build-out, technological development, law and regulations, policy direction, rate structures and customer needs. Therefore, it is anticipated that the 2014 Plan will need to be adapted and modified from time to time to manage risk, maintain system and service reliability, achieve policy goals and meet customer demand for excellence in all aspects of service. As each significant implementation step is undertaken, Austin Energy's recommendations to the City Council shall be supported by assessment of impacts on all customers and by charting the progress each step will make toward achieving the goals outlined in the 2014 Plan. Every major resource decision will be taken before the City Council for review and authorization.

2014 Plan Summary

Austin Energy has adopted the following changes and additions to its current resource planning goals, with a target of meeting these goals by 2025:

- Maintain the current goal of 800 MW of energy efficiency and Demand Response by 2020, and add an incremental 100 MW of Demand Response to achieve a total of at least 900 MW of Demand Side Management (DSM) by 2025.
- Increase the renewable energy goal from 35% to 55%.
- Increase the solar component of the renewable energy goal by 600 MW.
- Establish a CO₂ reduction goal of 20% below 2005 level in 2020 and beyond with retirement of Austin Energy's share of FPP by 2023 through creation of a cash reserve fund.
- Develop an implementation plan for distribution connected local storage of at least 10 MW complemented by as much as 20 MW of thermal storage.

The 2014 Plan also recommends the following, contingent upon further study, technological development, progress towards goals and rate adjustments or restructuring:

- 1- An additional 100 MW of Demand Response or energy efficiency to increase the DSM achieved to 1000 MW by 2025.
- 2- Issuing a Request For Information ("RFI") for 170 MW of large scale storage such as Compressed Air Energy Storage.

Specific resource investments will be evaluated continually by Austin Energy, reinforcing that the goals are adaptable to changing legal/regulatory, market, and economic conditions. As explained further in the 2014 Plan, however, each individual investment will be considered by the City Council and subject to public review.

Nuclear. The 2014 Plan recognizes current ownership levels in the STP and assumes the plant continues to provide power through 2025 at Austin Energy's current ownership level.

Coal. The 2014 Plan continues to establish a ramp down in production in 2020 to achieve established carbon goals, and anticipates the retirement process in 2022, if funds are available. The 2014 Plan will require the establishment of a cash reserve retirement account in advance of the retirement to be funded with available cash as part of the annual budgeting process.

Natural Gas. The 2014 Plan would add 500 MW of additional gas units by the beginning of 2019 at the Sand Hill Energy Center or Decker. Austin Energy selected Navigant to analyze the ERCOT nodal market using a production cost model to perform an independent review of the 500 MW investment to fully report benefits and risks of this strategy. Navigant recommended that Austin Energy build the Gas Plant in the Austin Energy load zone. Navigant also recognized that the results between the different portfolios are very similar and so it is important to fully consider the range of risks to Austin Energy's finances that can be mitigated by the gas plant.

Biomass. A total of 100 MW of biomass-fueled generation is contracted under a purchase power agreement. The City Council approved a 20-year contract through which Austin Energy may purchase the annual output of a 100 MW wood chip-fueled biomass plant located in Nacogdoches County, Texas. The plant, built by Nacogdoches Power LLC (a Southern Company subsidiary), commenced commercial operation in June 2012.

Wind. The 2014 Plan calls for the majority of the Austin Energy renewables goal to be met through wind-generated power. As of September 30, 2015, wind generation totals 1,340.9 MW of capacity. Austin Energy has executed additional wind contracts for 200.0 MW of capacity which will begin commercial operation in the third quarter of 2016. Under the 2025 Plan, Austin Energy will pursue additional wind energy PPAs and ownership opportunities. Austin Energy expects to contract a minimum of 450 MW of additional coastal and western wind resources to reach at least 55 percent renewable energy goal by 2025 totaling the wind capacity by 2025 to 1,503 MW.

Solar. Under the 2014 Plan, installed solar capacity would increase to at least 950 MW by 2025, including 200 MW of local solar. To ensure affordability, the 2014 Plan recommends implementing a phase down of the residential and commercial incentive programs to achieve the first 110 MW of the local solar goal by 2020, including at least 70 MW of customer-sited solar. Current projected cost declines of solar, technology improvements and financing alternatives and the implementation of supportive solar policies shall be utilized to enable the City to reach the 200 MW goal—including at least 100 MW of customer-sited local solar—by 2025 absent further incentives.

In February 2009, the City Council approved a 25-year contract under which Austin Energy purchases the annual output of a 30 MW solar farm built near Webberville on utility property, which went into operation in 2012. In addition, the 2014 Plan assumes full build-out of the announced 150 MW of solar power currently contracted with Canadian Solar that is expected to be online by the fourth quarter of 2016.

In accordance with the 2014 Plan, Austin Energy issued an RFP in May 2015 for up to 600 MW of utility-scale solar in 2015 and contracted about 439 MW of utility scale solar that are expected to be online by 2017. The City Council also directed Austin Energy to continue to explore the procurement of the remainder MW that makes up 600 MW either through PPA or ownership with a start date of 2019. These additions bring a combined total of 750 MW of utility-scale solar.

Storage. The 2014 Plan contemplates Austin Energy will obtain at least 30 MW of local thermal and electrical storage by 2025.

Austin Energy is currently working to update the RGCP Plan consistent with the Council direction to reassess the RGCP Plan in a public forum every two years.

Financial Policies

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

- Current revenue, which does not include the beginning balance, will be sufficient to support current expenditures (defined as “structural balance”). However, if projected revenue in future years is not sufficient to support projected requirements, the ending balance may be budgeted to achieve structural balance.
- Austin Energy shall maintain operating cash equivalent to 45 days of budgeted operations and maintenance expense, less fuel. As of September 30, 2015, Austin Energy’s operating cash was \$250 million and the actual Days Cash on Hand (DCOH) was 148 days.
- Debt Service coverage of a minimum of 2.0x shall be targeted for the Electric Utility Bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x coverage.
- A Strategic Reserve Fund shall be created and established, replacing the Debt Management Fund. It will have three components listed below. As of September 30, 2015, Austin Energy’s strategic reserve balance was \$152 million.
 - An Emergency Reserve with a minimum of 60 days of non-power supply operating requirements.
 - A maximum of 60 days of additional non-power supply operating requirements set aside as a Contingency Reserve.
 - Any additional funds over the maximum 120 days of non-power supply operating requirements may be set aside in a Rate Stabilization Reserve. Rate Stabilization Reserve balance shall not exceed 90 days of net power supply.
- The Emergency Reserve shall only be used as a last resort to provide funding in the event of an unanticipated or unforeseen extraordinary need of an emergency nature, such as costs related to a natural disaster, or an emergency, or unexpected costs created by Federal or State legislation. The Emergency Reserve shall be used only after the Contingency Reserve has been exhausted. The Contingency Reserve shall be used for unanticipated or unforeseen events that reduce revenue or increase obligations such as extended unplanned plant outages, insurance deductibles, unexpected costs created by Federal or State legislation, and liquidity support for unexpected changes in fuel costs or purchased power which stabilize fuel rates for Austin Energy customers. In the event any portion of the Contingency Reserve is used, the balance will be replenished to the targeted amount within two years. A Rate Stabilization Reserve shall be used to stabilize electric utility rates in future periods. The Rate Stabilization Reserve may provide funding for (1) deferring or minimizing future rate increases, (2) new generation capacity construction and acquisition costs and (3) balancing of annual power supply costs (net power supply/energy settlement cost). The balance shall not exceed 90 days of net power supply costs. Funding may be provided from net revenue available after meeting the General Fund Transfer, capital investment (equity contributions from current revenue), Repair and Replacement Fund, and 45 days of working capital.
- The General Fund Transfer shall not exceed 12% of Austin Energy’s three-year average operating revenues, calculated using the current fiscal year estimate and the previous two fiscal years’ actual revenues from the City’s Comprehensive Annual Financial Report.
- A decommissioning trust shall be established external to the City to hold the proceeds for moneys collected for the purpose of decommissioning the STP. An external investment manager may be hired to administer the trust investments.
- A Non-Nuclear Plant Decommissioning Fund shall be established to fund plant retirement. The amount set aside will be based on a decommissioning study of the plant site. Funding will be set aside over a minimum of four years prior to the expected plant closure.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Rate Regulation

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

Section 35.004 of PURA requires the City to provide transmission service at wholesale to another utility, a qualifying facility, an exempt wholesale generator, a power marketer, a power generation company, or a retail electric provider. Section 35.004 of PURA requires the City to provide wholesale services at rates, terms of access, and conditions that are not unreasonably preferential, prejudicial, discriminatory, predatory, or anti-competitive.

An Independent System Operator (“ISO”) was established for ERCOT as a part of the rules that were adopted by the PUCT to establish access to the wholesale electric market in the State and was approved by the PUCT on August 21, 1996. The ISO received approval on May 5, 2000, of its certification under Senate Bill 7, adopted by the State legislature and signed into law in 1999 (“SB7”). The ISO’s responsibilities as detailed in SB7 are to (1) ensure nondiscriminatory access to the ERCOT transmission system; (2) ensure the reliability and adequacy of the ERCOT network; (3) ensure timely and accurate customer switching; and (4) ensure the accuracy of accounts among wholesale buyers and sellers. Austin Energy is a member of ERCOT, and Austin Energy staff is active in the ERCOT stakeholder process.

SB7 amended PURA to provide for retail deregulation of the electric utility industry in the State. SB7 opened retail competition for Investor Owned Utilities beginning January 1, 2002. SB7 allowed local authorities to choose when to bring retail competition to their Municipally Owned Utilities (“MOU”), and left key municipal utility decisions (like local rate setting and utility policies) in the hands of those who have a stake in the local community. Once a resolution to “opt in” for retail competition is adopted by the MOU’s governing body, the decision is irrevocable. The City has not opted in to competition. As a result, retail competition is not allowed inside Austin Energy’s service territory. Austin Energy participates in the wholesale power market.

ERCOT Wholesale Market Design

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

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

The PUCT has considered changes to the ERCOT wholesale market to address some potential resource adequacy challenges. While there is some debate over the existence or severity of a resource adequacy issue, the PUCT has increased the market offer caps and implemented an Operating Reserve Demand Curve to represent the value of operating reserves in the real-time market relative to the probability of loss of load. The PUCT continues to solicit comments on further wholesale market design changes, but there is little expectation any major decisions will be made in the near term.

Federal Rate Regulation

Austin Energy is not subject to FERC’s jurisdiction under sections 205 and 206 of the Federal Power Act and is not subject to Federal statutes and regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of Austin Energy. Nevertheless, Austin Energy submits various reports to FERC and participates in ERCOT, a stakeholder organization established under State law that is similar to the Regional Transmission Organizations envisioned in FERC Order No. 2000. ERCOT includes stakeholders from all segments of the Texas electric market and is responsible for the management and oversight of the day-to-day operations of the transmission network and wholesale market settlement. Under PURA, the PUCT has specific responsibilities to oversee ERCOT operations and market participant compliance with ERCOT Protocols.

Pursuant to the Energy Policy Act of 2005, municipal entities are now subject to certain FERC authority on reliability. On July 20, 2006, FERC certified the North American Electric Reliability Corporation (“NERC”) as the nation’s Electric Reliability Organization responsible for developing and enforcing mandatory electric reliability standards under FERC’s oversight. On April 19, 2007, FERC approved the Delegation Agreement between NERC and the Texas Reliability Entity,

Inc. (“TRE”), which governs the responsibilities of TRE as the Regional Entity responsible for overseeing the NERC reliability standards in the ERCOT region. Austin Energy has established compliance programs in its Energy Markets; transmission systems planning, operations and reliability; and Information Technology and Telecommunications units to examine the requirements for compliance with the standards and to evaluate and implement any needed changes to systems and procedures. This process is verified through external audits involving TRE.

Environmental Regulation - General

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

Environmental Regulation Related to Air Emissions

CO₂ GHG New Source Performance Standard for New and Existing Power Plants

In 2013, the United States Environmental Protection Agency (“USEPA”) proposed New Source Performance Standards (“NSPS”) that set Greenhouse Gas (“GHG”) limits on any newly built power plants. That rule will not impact Austin Energy at this time unless new steam or gas units are built. In June 2014, the USEPA proposed a GHG NSPS for all existing power plants, also called the Clean Power Plan (“CPP”). The proposal would require significant reductions in CO₂ emissions in Texas, including via increased energy efficiency and renewable energy, and directed each state to develop their own plan to achieve those reductions from the power sector. The CPP rule went final on August 3, 2015. The rule, along with a set of Model Trading Rules and a Federal Implementation Plan, was published in the Federal Register on October 23, 2015. Twenty-seven states and numerous industry groups filed a combined 39 lawsuits from a total of 157 petitioners asking the D.C. Circuit to review the rule. Petitions were filed in the DC Circuit Court to stay the CPP. The DC Circuit denied the petitions to stay the CPP on January 21, 2016. The DC Circuit Court has accelerated the timing for the Briefings and oral arguments. Briefings were required to be completed by April, 22, 2016 and oral arguments are scheduled for September 27, 2016. Requests to stay the CPP were filed on January 27, 2016 to the Supreme Court. The Supreme Court stayed the CPP rule on February 9, 2016, pending review in the DC Circuit Court. The USEPA solicited comments on these rules through January 21, 2016. Austin Energy’s fleet is less carbon intense than the state-wide fleet as a whole because of investments already made in zero-and-low-carbon generation sources. Austin Energy is well-positioned to comply with this rule, should it go into effect as currently drafted.

Mercury and Air Toxics Standards (MATS)

Published in February 2012, USEPA’s final MATS rule sets new emissions limits for mercury and other toxic air emissions from coal and oil-fired electric utility boilers to be achieved by 2015. For Austin Energy, this rule applies to the FPP units 1 & 2. The flue gas desulfurization (“FGD”) units or “scrubbers” that were put in operation in 2011 remove a significant portion of the air toxics to below the new limits. Although the scrubbers remove some mercury, additional activated carbon injection will be necessary to enhance the removal of mercury in existing emissions control equipment to below the new limit. Austin Energy and co-owner LCRA have installed the activated carbon injection equipment and are currently testing and commissioning this equipment for the MATS rule. LCRA applied for and received a one-year extension of the compliance deadline to April 2016 for mercury to reduce the risk of non-compliance and allow more time, as needed, to optimize the new equipment. Austin Energy anticipates its share of the associated capital expense will be approximately \$5 million. With the scrubbers already in operation, Austin Energy and LCRA are well-positioned to comply with the MATS rule.

On June 29, 2015, the United States Supreme Court held in *Michigan et al. v. Environmental Protection Agency et al.* that the USEPA must take cost, including cost of compliance, into consideration in exercising its authority under the federal Clean Air Act to regulate power plants, and that it unreasonably interpreted the federal Clean Air Act in adopting the MATS rule

by failing to take into account the billions of dollars in economic costs imposed by the MATS rule. The MATS rule was remanded to lower courts. On March 3, 2016, the Supreme Court denied the motion to stay the MATS Rule. The USEPA intends to complete its consideration of costs by April 15, 2016, according to their briefs filed in the D.C. Circuit. Austin Energy and its operating partner at FPP have already made the necessary investment to comply with MATS and will continue with plans to comply until further direction is provided from the courts and USEPA. FPP is in full compliance with the MATS rule as currently drafted.

Cross-State Air Pollution Rule and Clean Air Interstate Rule

Austin Energy's large facilities have been complying with the Clean Air Interstate Rule ("CAIR"), a cap-and-trade program for annual NOx and SO2 emissions, since 2009. The USEPA finalized a court-mandated replacement for CAIR in 2011, called the Cross-State Air Pollution Rule ("CSAPR"), with compliance to begin in 2012 for annual NOx, annual SO2 and ozone season NOx emissions in 23 eastern- and mid-U.S. states including Texas. A federal court stayed CSAPR in late 2011 pending judicial review of the rule and in August 2012, the court vacated CSAPR holding that the USEPA had exceeded its authority in the way it apportioned cleanup responsibilities among the affected states. The USEPA appealed to the Supreme Court and in May 2014 won a reversal of the lower court decision to vacate the rule. The USEPA has reinstated CSAPR beginning 2015 and officially removed CAIR requirements. Austin Energy holds more allowances relative to expected emissions for all CSAPR trading programs (annual and seasonal NOx and annual SO2) for the first phase of CSAPR (2015, 2016). With scrubbers in place at FPP, Austin Energy owns a large surplus of SO2 allowances that have the potential to generate revenue if sold to other utilities.

On November 12, 2015, the USEPA published a proposed rule to update the CSAPR rule. The update was to address the 2008 ozone NAAQS. The update also responds to the July 28, 2015 remand of certain states' 2014 ozone season NOx emissions budgets by the D.C. Circuit. The rule will lower Phase II ozone season allowance allocations (Phase II begins in 2017). Texas' allocations will be lowered by approximately 8%. In addition, the rule states that Phase I ozone season NOx allocations (2015 and 2016) will have to be retired at a usage rate of 4 to 1 for compliance in Phase II and beyond. The rule update does not affect Phase I ozone season NOx. The rule also does not affect any phase of annual NOx and SO2 CSAPR allowances. Austin Energy will remain in compliance with CSAPR.

Proposed revisions to the federal ozone National Ambient Air Quality Standard

In November 2014, the USEPA proposed to lower the national ambient air quality standards ("NAAQS") for ozone from 75 ppb to a value between 65 and 70 ppb. On October 1, 2015 the USEPA finalized the new ground-level ozone standard. The standard was set at 70 ppb. The Travis County ozone design value for the years 2013-2015 (what the Texas Commission on Environmental Quality (the "TCEQ") must use to show compliance with the new standard) will be 68-69 ppb. The design values are expected to drop steadily. The USEPA must designate areas within 2 years of a new standard being established. It is anticipated that Travis County will continue to remain classified as attainment for ozone.

Regional Haze

The Fifth Circuit in July 2016 issued a stay on the USEPA's federal regional haze plan for Texas, the latest example of a federal court halting implementation of a major USEPA regulation.

Environmental Regulation Related to Water Discharges

Section 316(b) of the Clean Water Act establishes requirements to minimize the impact of cooling water intake structures on aquatic organisms. The USEPA promulgated revised standards in 2014 that require cooling water intake structures to be designed to limit organism impingement and entrainment. All major power plants with once-through cooling will be required to complete studies over the next four years assessing impacts to aquatic organisms and appropriate mitigation measures, and plants with potential impacts could be required to upgrade intake structures to meet the new criteria. The rule applies to Decker Creek Power Station and FPP. However both facilities were built on reservoirs specifically made for cooling, which the rule effectively exempts from some of the major requirements. Overall risk associated with this rule is believed to be low at this time and would likely not be realized until four years from now.

Effluent Limit Guideline (ELG) regulations: On April 19, 2013, the USEPA announced proposed technology-based effluent limitation guidelines and standards (mainly for metals) for steam electric power generating units. The standards provide for a phased-in approach and the use of technologies already installed at a number of plants. The USEPA published a final rule on November 3, 2015. The Steam Electric regulations are incorporated into NPDES permits. For

existing steam plants, the regulation includes pretreatment standards for discharges to Publically Owned Treatment Works (POTW) Plants. Routinely, wastewater is not discharged to POTWs. The non-chemical metals cleaning processes (that generate wastewater) that happen occasionally at Decker and Sand Hill are already in compliance with the standards in the ELG regulations. FPP's FGD system is not expected to impact the waters of the United States. The wet fly ash and bottom ash pond has been closed and FPP converted to a dry ash system as a result of which any discharges are expected to be in compliance with ELG regulations. Austin Energy estimates that FPP is in compliance with ELG regulations.

Environmental Regulation Related to Hazardous Wastes and Remediation

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

Environmental - Other

Austin Energy began decommissioning the Holly Street Power Plant in 2011. This project includes the removal of the main power plant and adjacent support structures and the cleanup of historical contamination and site closure approval by the State. This project is expected to be completed in Spring 2017.

Nuclear Regulation

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

STP is protected by provisions of the Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities even though the statutory protections for many non-commercial reactors are different. The Price-Anderson Act expires on December 31, 2025. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants remains at \$13.6 billion per unit per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is \$127.318 million per unit, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at \$18.96 million per year per reactor for each nuclear incident. The City and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests in STP. For purposes of the assessments, STP has two licensed reactors. The participants (including the City) have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC, in accordance with the financial protection requirements of the Price-Anderson Act.

A Master Worker Nuclear Liability policy, with a maximum limit of \$300 million for the nuclear industry as a whole, provides protection from nuclear-related claims of workers employed in the nuclear industry after January 1, 1988 who do not use the workers' compensation system as sole remedy and bring suit against another party. The limit increased to \$375 million effective January 1, 2010.

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

The owners of STP currently maintain \$2.75 billion of nuclear property insurance, which is above the legally required amount of \$1.06 billion for such losses (\$2.75 billion is the maximum amount available for purchase from Nuclear Electric Insurance Limited (“NEIL”). Nuclear property insurance consists of \$1.5 billion in primary property damage insurance and \$1.25 billion of excess property damage insurance, both subject to a retrospective assessment being paid by all members of NEIL. In the event that property losses as a result of an accident at any nuclear plant insured by NEIL exceed the accumulated fund available to NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for both primary and excess property damage insurance is \$62.76 million during any one policy year. This number changes annually and is calculated as 10 times the current premium for each policy.

The NRC regulations set forth minimum amounts required to demonstrate reasonable financial assurance of funds for decommissioning of nuclear reactors. Beginning in 1990, each holder of an operating license is required to submit to the NRC a bi-annual report indicating how reasonable assurance would be provided. The City provides the required report on its share of STP to the NRC which is based on the minimum amount for decommissioning, excluding waste disposal, as required by the NRC regulations of \$105 million per unit (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The 2014 report provided by the City based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City has established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A. The City has been collecting for its share of anticipated decommissioning activities, which may begin as early as 2027, through its rates since Fiscal Year 1989. The decommissioning trust market value on September 30, 2015 was \$205,108,001. For Fiscal Year 2016, Austin Energy estimates that it will continue to collect approximately \$5 million for decommissioning expense. In 2007 dollars, the minimum amount for decommissioning the City’s share of STP is \$221 million.

Events Affecting the Nuclear Industry

On March 11, 2011, a region of Japan sustained significant loss of life and destruction because of a major earthquake and resulting tsunami. Included in the damage areas were the Fukushima nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC began looking into the safety aspects of nuclear plant operations in the United States with the objective of assuring that events such as those at the Fukushima plant do not occur in this country. On August 31, 2012, the NRC issued Interim Staff Guidance (“ISG”) to U.S. nuclear power plants to ensure proper implementation of three orders the agency issued in March, in response to lessons learned from the Fukushima Dai-ichi nuclear accident. The ISGs represent acceptable approaches to meeting the orders’ requirements before their December 31, 2016 compliance deadline. The ISGs are not mandatory, but U.S. nuclear power plants would have to seek NRC approval in order to follow a different compliance approach. The NRC issued draft versions of the ISGs on May 31, 2012 and asked for public input. The final ISGs, finalized on August 31, 2012, reflect information gained from the month-long comment period and subsequent public meetings.

The first NRC order requires all U.S. plants to better protect portable safety equipment put in place after the 9/11 terrorist attacks and to obtain sufficient equipment to support all reactors and spent fuel pools at a given site simultaneously. The ISG for this order endorses the industry’s updated guidance for dealing with a scenario that knocks out all of a plant’s alternating current electric sources. The updated approach includes the use of backup power supplies for devices that would burn off accident-generated hydrogen before it could accumulate to explosive levels. The staff concludes the updated approach will successfully implement the first NRC order. The ISG is available in the Agencywide Document Access and Management System (“ADAMS”) under accession number ML12229A174; the associated industry document is available under accession number ML12242A378. STP has completed engineering design and installation of equipment and modifications to address these requirements, and is currently waiting for final approval for the modifications from the NRC.

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

The third NRC order requires all plants to install enhanced equipment for monitoring water levels in each plant's spent fuel pool. The ISG for this order largely endorses an industry document that the staff concludes will successfully implement the order. The ISG defines in more detail the water levels the new equipment must accurately report, as well as standards for equipment mounting, powering and testing, personnel training and other criteria. The final ISG notes several areas, including instrument qualifications and instrument protection from falling debris, where the industry revised its initial approach. An exception in the staff's endorsement sets specific seismic criteria to ensure the instruments will survive an earthquake. This ISG is available in ADAMS under accession number ML12221A399; the associated industry document is available under accession number ML12240A304. STP has completed engineering design and installation of equipment and modifications to address these requirements and is currently waiting on final approval for the modifications from the NRC.

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. As a result of an amendment to the Austin City Charter approved at an election held in November, 2012, the configuration of the City Council has changed from a seven member council, comprised of a Mayor and six council members elected at large, to an 11 member council, with the Mayor to be elected at large, and the remaining members to be elected from 10 single member districts. The first council election held in accordance with the 2012 amendment to the City Charter was held November 4, 2014. See APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY – General Information" in this document.

By charter, the City Council appoints a City Manager for an indefinite term who acts as the chief administrative and executive officer of the City. The duties include, among others, the supervision of all City departments, the preparation and administration of an annual budget and the preparation of a report on the finances and administrative activities of the City. Marc Ott was appointed City Manager in January 2008.

City Manager – Marc A. Ott

Mr. Marc A. Ott was selected as City Manager for the City by the Austin City Council in January 2008. Mr. Ott is the 17th person in City history to be appointed City Manager in a full-time capacity. Mr. Ott previously served as Assistant City Manager for infrastructure services for the City of Fort Worth. In that role, he was responsible for Fort Worth's infrastructure operations carried out by the departments of Water, Transportation and Public Works, Engineering and Aviation. Mr. Ott was also responsible for implementing one of the Fort Worth City Council's top strategic priorities: promoting orderly growth. Prior to his position in Fort Worth, Mr. Ott was City Administrator for the City of Rochester Hills, Michigan, where he had administrative and managerial oversight of all municipal operations. In addition, Mr. Ott was City Manager of Kalamazoo, Michigan, from 1993 to 1997. He also served as that city's Deputy City Manager for two years and as an Assistant City Manager for almost a year. Mr. Ott earned his bachelor's degree in management with a concentration in economics from Michigan's Oakland University and master's degree in public administration from the same university. He is also a graduate of the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government, Harvard University.

On August 11, 2016, Mr. Ott announced his resignation as City Manager after accepting the position of Executive Director of the International City/County Management Association in Washington, D.C. Mr. Ott's resignation shall be effective October 30, 2016.

Chief Financial Officer – Elaine Hart, CPA

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

On September 1, 2016, the City Council appointed Ms. Hart as interim City Manager, effective October 31, 2016.

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including Austin Energy, Austin Water, an airport and two public event facilities.

Employees

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

The City does not have automatic escalators in payroll or in its retirement systems. The retirement systems may grant cost-of-living increases up to 6% for 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 property by Texas municipalities. Before 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.

Under current State law, there are two processes for the annexation of territory into a city. The three-year Municipal Annexation Plan ("MAP") process applies generally to populated annexation areas, i.e., those that include 100 or more properties with a house on each lot. Unpopulated areas, areas that are annexed by consent, and areas that meet certain other criteria follow the "exempt area process". The processes involve staff review, development of a service plan (or regulatory plan for a limited purpose annexation), property owner notification, publication of a newspaper notice, two public hearings, and ordinance approval. The MAP process also includes an inventory of existing services and a period in which residents appointed by the county commissioners negotiate with City staff on the service plan.

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, roads, streets, and parks - must be provided immediately following annexation. Failure to provide municipal services in accordance with the service plan may provide grounds for a petition and court action for compliance with the service plan or 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; however, the City has never been forced to disannex due to such failure.

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

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

The City Charter and the State’s annexation laws provide the City with the ability to undertake two types of annexation. “Full purpose” annexation discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as “limited purpose” annexation by which territory may be annexed for the limited purposes of “Planning and Zoning” and “Health and Safety.” Territory so annexed is subject to ordinances 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. Since 1999 the City has annexed over 23,000 acres of territory for limited purposes. Strategic Annexation Programs are developed annually. These programs prioritize areas to be considered for annexation, usually at the end of the calendar year, to minimize the fiscal impact to the City.

Annexations – TABLE TWELVE

The following table sets forth (in acres) the annual results of the City’s annexations since 2007.

<u>Calendar Year</u>	<u>Full Purpose Acres (1)</u>	<u>Limited Purpose Acres</u>
2007	2,466	1,266
2008	2,262	14
2009	295	984
2010	1,129	2,495
2011	726	0
2012	3,387	3,818
2013	3,484	594
2014	897	136
2015	1,911	3
2016	92	0

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

Recent Annexation

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

The City annexed seven areas for full purposes in 2014, including approximately 900 acres of undeveloped land. If developed as anticipated, these areas would include an estimated 1,498 dwelling units and a projected population of 3,747 persons at build-out. The taxable assessed value (“TAV”) for these areas as of January 1, 2016 was approximately \$12.6 million.

In 2013, the Wildhorse Ranch and the remainder of the Goodnight Ranch proposed developments were converted from limited to full purpose annexation status. In addition, the City annexed one commercial area and several undeveloped areas for full purposes for a total of 3,484 acres for the year. The TAV for these areas was approximately \$17 million. City Council also approved the creation and limited purpose annexation of a new Public Improvement District (“PID”), Estancia, which is located on the southern edge of the City along Interstate Highway 35 South. Future full purpose annexation of this area will occur in accordance with the terms of the development agreement.

The City annexed 3,818 acres for limited purposes in 2012 in accordance with Strategic Partnership Agreements (“SPAs”) with nine new MUDs. Full purpose annexation will be deferred to allow the MUDs to issue debt for major infrastructure improvements and public amenities to serve two large new mixed-use developments in eastern Travis County. In addition, the City annexed 3,387 acres for full purposes including two fully developed areas with mixed commercial, industrial, and

residential land uses; four vacant tracts with development plans approved or in process; the Circuit of the Americas racetrack site; and two other associated undeveloped or publicly owned sites. The total TAV for these areas was approximately \$119,000,000.

In 2011, the remaining portion of Ribelin Ranch consisting of undeveloped wildlife habitat preserve land was converted from limited to full purpose annexation status. In addition, the City annexed a commercial and industrial area as well as a partially developed single-family residential subdivision for full purposes. The TAV for these areas was approximately \$20,510,145.

The 2010 annual program included full purpose annexation of several developed residential and commercial areas, planned residential areas, and public right-of-way. Together, the City's full and limited purpose annexations included approximately 8,500 residents and 3,624 acres. In accordance with the terms of the amended SPA between the City and the Springwoods MUD, this area was annexed for limited and later full purposes. In addition, the City annexed the adjacent Springwoods MAP area. City Council also approved the creation and limited purpose annexation of two new PIDs, Whisper Valley and Indian Hills. Future full purpose annexation of these areas will occur in accordance with the terms of the development agreement.

In accordance with the terms of a SPA between the City and the River Place MUD, all of the territory in the River Place MUD not previously annexed by the City was annexed for limited purposes of planning and zoning in 2009. In addition, the 2009 annual program included full purpose annexation of three small developed residential areas, a commercial and industrial area, and city owned property. Austin surpassed 300 square miles in incorporated area in 2010 and the City's estimated population grew to 778,560 people.

In 2008, Austin annexed the largest population since 1997, approximately 13,400 people. The largest of the 2008 annexations was Anderson Mill MUD, which is more than 1,000 acres in size. This annexation resulted from a 1998 SPA between the City and the district. Other populated areas annexed for full purposes in 2008 include North Acres and Anderson Mill Estates, most of which were already in the City's limited purpose jurisdiction due to 1984 annexations. The City also annexed commercial properties and several new subdivisions under development. The TAV annexed in 2008 was over \$1.1 billion.

2007 saw the conversion of Watersedge, Ribelin Ranch, and approximately one-half of Goodnight Ranch from limited purposes to full purposes. The remaining portion of Ribelin Ranch, consisting of undeveloped wildlife habitat preserve land, was converted from limited to full purpose annexation status in 2011. In addition, the City annexed a commercial and industrial area as well as a partially developed single-family residential subdivision for full purposes. The total TAV for these areas was approximately \$20,510,145. In addition, the final remaining portions of Avery Ranch, annexed for limited purposes in 2000, were converted to full purposes. Several planned residential subdivisions in the extraterritorial jurisdiction were annexed. In total, 2,466 full purpose acres and \$22 million in TAV were annexed in 2007.

Future Annexation

Two area MUDs are scheduled for annexation under approved SPAs with the City. It is anticipated that River Place MUD will be annexed for full purposes in its entirety in December 2017. Shady Hollow MUD is scheduled for full purpose annexation in December 2020.

Pension Plans

The City has three contributory defined benefit retirement plans for the Municipal, Fire, and Police employees. These plans are single employer funded plans each with a fiscal year end of December 31. The three retirement plans cover substantially all full-time employees. State law requires the City to make contributions to the plans in an amount at least equal to the contribution of the employee group.

The following describes the contributions in place as of October 1, 2015. Municipal employees contribute 8.0% and the City contributes 18.0% of payroll. The Firefighters (who are not members of the Social Security System) contribute 18.2% of payroll, and the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.313% of payroll.

During fiscal 2015, the City implemented Governmental Accounting Standards Board Statement (“GASB”) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27*, as amended by GASB Statement No. 71 (“GASB 71”), *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which increased the net pension liability in the financial statements by \$1.2 billion over the previously reported net pension obligation.

GASB 68, as amended, requires governments offering defined benefit pension plans to recognize as an expense and a liability today, future pension obligations for existing employees and retirees which are in excess of pension plan assets. In addition it allows deferral of certain pension expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information.

The City’s net pension liability was measured as of December 31, 2014 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the COAERS plan. For the Fire and Police systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 using the final 2014 assumptions and then was rolled forward to the plan’s year ending December 31, 2014.

The COAERS, as of December 31, 2014, had a net pension liability of \$884.3 million with a plan fiduciary net position as a percentage of the total pension liability of 71.4%. The Police Officers' Fund, as of December 31, 2014, had a net pension liability of \$333.6 million with a plan fiduciary net position as a percentage of the total pension liability of 65.7%. The Firefighters' Fund, as of December 31, 2014 had a net pension liability of \$72.0 million with a plan fiduciary net position as a percentage of the total pension liability of 91.6%.

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

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2014, the amortization period of the unfunded actuarial accrued liability for the COAERS was 24 years, for the Police Officers’ Fund was 28.6 years and the Firefighters’ Fund was 10.57 years.

As of December 31, 2014, the actuarial accrued liability for the COAERS was \$3,094,055,712 and the funded ratio was 70.9%. The actuarial accrued liability for the Police Officers’ Fund was \$968,340,394 and the funded ratio was 67.5%. The actuarial accrued liability for the Firefighters’ Fund was \$868,146,375 and the funded ratio was 90.9%.

Although the COAERS funding period had been infinite since December 31, 2002, investment losses in 2008 of 25.9% led to a significant decrease in the actuarial funded ratio and a significant increase to the unfunded actuarial accrued liability. In 2005, a Supplemental Funding Plan (“SFP”) was approved that increased the City’s annual contribution rate to a maximum of 12%, but even this additional funding was not sufficient to restore the long-term financial health of the COAERS. In FY 2011, City Council approved an amendment to the SFP that increased the City contribution rate to a maximum rate of 18% of pay to be contributed by 2013. The City contributed an additional 6% in FY 2011, an additional 8% in FY 2012 and an additional 10% in FY 2013 pursuant to the terms of the SFP, which brought the City’s contribution rate to the maximum of 18%. In addition, a new benefit tier for new employees hired on or after January 1, 2012, was approved by the COAERS Board of Trustees, the City Council and the Texas Legislature. The new benefit tier increases the age and service criteria necessary to reach retirement eligibility. It also decreases the pension multiplier, which is used to determine the final pension amount paid to future retirees. These two actions are expected to substantially improve the long-term financial health of the COAERS over time.

See APPENDIX B – “AUDITED FINANCIAL STATEMENTS – Note 7” in this document for additional information on the City’s Pension Plans.

On June 8, 2016, the COAERS Board of Trustees received an annual financial report of COAERS for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, COAERS had a net pension liability of \$1.247 billion with a plan fiduciary net position as a percentage of the total pension liability of 63.2%. Additionally, the actuarial accrued liability for the COAERS was \$3,391,796,116 and the funded ratio was 68.0%.

On August 9, 2016, the Police Officers' Fund Board received an annual financial report of the Police Officers' Fund for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, the Police Officers' Fund had a net pension liability of \$384.7 million with a plan fiduciary net position as a percentage of the total pension liability of 62.6%. Additionally, the actuarial accrued liability for the Police Officers' Fund was \$1,036,118,138 and the funded ratio was 66.6%. The report's numbers reflect changes to benefit provisions and actuarial assumptions that were adopted since the prior valuation for fiscal year ended December 31, 2014.

On August 10, 2016, the Firefighters' Fund Board received an annual financial report of the Firefighters' Fund for the fiscal year ended December 31, 2015. The report stated that as of December 31, 2015, the Firefighters' Fund had a net pension liability of \$128.4 million with a plan fiduciary net position as a percentage of the total pension liability of 86.0%. Additionally, the actuarial accrued liability for the Firefighters' Fund was \$921,875,579 and the funded ratio was 89.9%.

Other Post-Employment Benefits ("OPEB")

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits to its retirees. Other post-employment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other post-employment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other post-employment benefits for retirees or their dependents. Allocation of City funds to pay other post-employment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium. The estimated pay-as-you-go cost of providing medical and life benefits was \$39.5 million for 4,431 retirees in 2015 and \$33.3 million for 4,189 retirees in 2014. As of September 30, 2015, the net OPEB obligation is \$777.7 million.

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

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$9.3 million for claims and damages at the end of fiscal year 2015. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

CONTINUING DISCLOSURE OF INFORMATION

In each Ordinance, the City has made the following agreement for the benefit of the Holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of the Official Statement within the tables numbered one through twelve and in APPENDIX B. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. 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 will update and provide this financial information and operating data as of the end of each fiscal year within six months after the end of each fiscal year, beginning with the fiscal year ending in 2016 and audited financial statements within 12 months of each fiscal year beginning with the fiscal year ending in 2016. If audited financial statements are not available within 12 months after any such fiscal year end, the City will provide unaudited financial statements within such 12 month period and audited financial statements for such fiscal year when and if the audit report on such statements becomes available. The City will provide the updated information to the MSRB through its Electronic Municipal Market Access (“EMMA”) information system.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the “Rule”), promulgated by the United States Securities and Exchange Commission (the “SEC”).

The City’s current fiscal year is October 1 to September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available as described above) by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. (Neither the Obligations nor the Ordinances make any provision for debt service reserves or liquidity enhancement.) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Ordinances.

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

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City 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 Obligations 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 Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

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

Compliance with Prior Undertakings

The City did not file its unaudited or audited financial statements for the Fiscal Year ended September 30, 2011 by the required deadline of March 31, 2012. The audited financial statements of the City for such Fiscal Year were filed on April 2, 2012. Annual financial information and operating data of the City were filed by the required time in accordance with the City’s continuing disclosure agreements in the above-cited year in which the audited financial statements were filed after March 31. The City filed an event notice in connection with the late filing. In addition, multiple rating changes occurred with respect to certain obligations of the City between 2009 and 2013, and the City did not file event notices with respect to certain of such rating changes. The City has filed event notices with respect to the current ratings of certain of its outstanding obligations. In its annual financial information and operating data filings for the City’s electric system and water and wastewater system revenue bonds, for the year 2011, the City omitted a table relating to the City’s equity in its electric utility and water and wastewater systems. While the information contained in such table was generally obtainable from its audited financial statements for such years, the City has, since its Fiscal Year 2012 filing, included this table in its annual financial information and operating data filings for the City’s electric system and water and wastewater system revenue bonds. Also, the City inadvertently omitted several tables from the annual financial information and operating data filing for the March 31, 2013 continuing disclosure report relating to certain obligations of the City. The City filed the omitted information on May 14, 2014. With respect to the City’s continuing disclosure reports regarding its outstanding Airport System Revenue Bonds, the City determined that (i) a table regarding detailed Airport revenues was inadvertently omitted from such reports that were filed in 2012 and 2013, however, the total of such Airport revenues was included in such annual filings and such table was included in subsequent annual continuing disclosure reports, and (ii) a table had transposed years in the presentation of data in such report that was filed in 2015, and the City filed corrected information for such table on May 8, 2015. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

TAX MATTERS FOR THE OBLIGATIONS

General

The following is a general summary of United States federal income tax consequences of the purchase and ownership of the Obligations. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which

are subject to change (possibly with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached in this Official Statement. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Obligations in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Obligations). The summary is therefore limited to certain issues relating to initial investors who will hold the Obligations as "capital assets" within the meaning of section 1221 of the Code, and acquire such Obligations for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Obligations who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and the discussion below is not binding on the IRS.

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

Stated Interest on the Obligations

The stated interest on Obligations will be included in the gross income, as defined in section 61 of the Code, and in the net investment income, for purposes of the 3.8% Medicare tax imposed by section 1411 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when paid or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Disposition of Obligations

A beneficial owner of Obligations will generally recognize gain or loss on the redemption, sale or exchange of an Obligation equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Obligation. Generally, the beneficial owner's adjusted tax basis in an Obligation will be the beneficial owner's initial cost, increased by any original issue discount previously included in the beneficial owner's income to the date of disposition and reduced by any amortized bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Obligation.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Obligations who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" with respect to current or accrued interest on the Obligations or with respect to proceeds received from a disposition of Obligations. This withholding applies if such beneficial owner of Obligations: (i) fails to furnish to the payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Obligations. Beneficial owners of the Obligations should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such beneficial owners of Obligations is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an

income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Obligations is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Obligations pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

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

Reporting of Interest Payments

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

OTHER RELEVANT INFORMATION

Ratings

The Obligations have received ratings of "AAA" by S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), "AAA" by Fitch Ratings, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). The presently outstanding ad valorem tax-supported debt of the City is rated "AAA" by S&P, "AAA" by Fitch and "Aaa" by Moody's. 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 Obligations. Except as provided under "CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices" in this document, the City will undertake no responsibility to notify the owners of the Obligations of any such revisions or withdrawal of ratings.

Litigation

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

Electric Utility System Litigation

The City has been named in a multi-party lawsuit stemming from the September 4, 2011 wildfire that damaged a number of properties in the Steiner Ranch community. Plaintiff, Ronya Aigner, Individually and as Heir of the Estate of Kevin Lee Aigner, filed suit on November 2, 2012. Plaintiff alleges that the City caused the fire, which allegedly led to the death of Kevin Aigner, a Travis County Constable, who suffered a stroke while working in the Steiner Ranch area six days after the fire. Over 20 insurance companies representing hundreds of property owners intervened in the lawsuit and also alleged that the City caused the fire through its allegedly improper maintenance and operation of power lines. An additional personal injury claimant intervened in the lawsuit alleging that the fires aggravated an individual's pre-existing Tourette syndrome condition. Five underinsured plaintiffs have also intervened. The City has filed a motion challenging jurisdiction that is currently on appeal in the Third Circuit Court of Appeals. The carriers presented property damage claims, including

under-insured claims of approximately \$15 million. The appellate court dismissed Plaintiffs' inverse condemnation claims and remanded the case back to the trial court. The parties are currently in the discovery phase and the City anticipates receiving detailed damages claims. If the case is not resolved, trial is anticipated in Spring 2017.

Registration and Qualification

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained in the Securities Act of Texas; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations 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 Obligations are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Obligations 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 PFIA, the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations 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 Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

Legal Matters

The delivery of each series of the Obligations is subject to the approval of the Attorney General of Texas to the effect that such Obligations are valid and legally binding obligations of the City payable from sources and in the manner described in this document and in the respective Ordinances and the approving legal opinions of Bond Counsel. The forms of Bond Counsel's opinions are attached in Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations. The legal opinions of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the definitive Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Counsel for the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Obligations.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained in this document except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this document under the captions "OBLIGATION INFORMATION" (except for the information under the subcaptions "Sources and Uses of Funds," "Remedies" and "Book-Entry-Only System"), "TAX INFORMATION – Tax Rate Limitation," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), "TAX MATTERS FOR THE OBLIGATIONS," and the information under the subcaptions "OTHER RELEVANT INFORMATION - Registration and Qualification," " - Legal Investments and Eligibility to Secure Public Funds in Texas," and " - Legal Matters," and

such firm is of the opinion that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described, and such information conforms to the Ordinances.

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

Financial Advisor

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

Independent Auditors

The financial data listed as fiscal year 2016 has been derived from the unaudited internal records of the City. The City's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report which contains an explanatory paragraph regarding the City's implementation of Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* during the year ended September 30, 2015.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to the initial offering prices to the public, as shown on the inside front cover page of this Official Statement, less an underwriting discount of \$54,311.34. The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial offering prices to the public, as shown on the inside front cover page of this Official Statement, less an underwriting discount of \$39,377.93. The Obligations to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices of such Obligations, and such public offering prices may be changed, from time to time, by the Underwriters.

Siebert Brandford Shank & Co., L.L.C. has entered into a separate agreement with Muriel Siebert & Co. for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to this distribution agreement, if applicable to the Obligations, Muriel Siebert & Co. will purchase Obligations at the original issue price less the selling concession with respect to any Obligations that such entity sells. Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with Muriel Siebert & Co. Effective August 29, 2016, Siebert Brandford Shank & Co., L.L.C. changed its name to Siebert Cisneros Shank & Co., L.L.C.

Forward - Looking Statements

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-

looking statements included in this Official Statement are based on information available to the City on the date of this document, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

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

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

Authenticity of Financial Data and Other Information

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

Certification of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement, was approved and authorized by each of the Ordinances adopted by the City Council on August 18, 2016.

/s/ Steve Adler
Mayor
City of Austin, Texas

ATTEST:

/s/ Jannette Goodall
City Clerk
City of Austin, Texas

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

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information is presented for informational purposes only.

General Information

The City of Austin (the “City”), chartered in 1839, has a Council-Manager form of government under its home rule charter. A change in governance affecting City Council size, composition, and term duration was approved by the voters with the passage of Propositions 1 – 3 on November 6, 2012. Under the new governance, the Mayor remains elected at-large and ten Councilmembers are elected by geographic district, with all serving four-year staggered terms subject to a maximum of two consecutive terms. The voters also approved moving elections from May to November in even-numbered years, the first of which was held in November 2014. Currently half of the Councilmembers are serving a two-year term, expiring in 2017, as a part of the transition to this new Council structure which became effective January 6, 2015. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees and administration of all City affairs.

The City, which is the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) and the eleventh largest in the nation with a September 2015 population of 899,119 according to the City’s estimates. Over the past ten years, Austin’s population has increased by approximately 25.9%, or 184,882 residents. Geographically, the City consists of approximately 323 square miles. The current estimated median household income for residents of the City is \$52,519 according to Nielsen SiteReports. The City’s per capita income is estimated to be \$49,680 based on analysis of the Bureau of Economic Analysis information.

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

The City offers several broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with 46% of adults twenty-five years or older holding a bachelor’s or advanced degree, compared to 29.3% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the sixth largest public university in the nation, is known as a world-class center of education and research and was ranked 16th among public universities in the 2016 *U.S. News and World Report* survey of undergraduate programs.

Local Economy

The Austin metropolitan area is consistently recognized among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. The Milken Institute ranked the Austin metropolitan area number 4 in its 2015 *Best-Performing Cities* report, which ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The index “was designed to measure objectively which U.S. metropolitan areas are promoting economic vitality based on job creation and retention, the quality of new jobs, and other criteria.” In its report the Institute noted that, “Austin seems poised to remain among the best performers in the years ahead.”

From job growth to population growth to real estate, the Austin metropolitan area continues to boom and the trends reflect it. The Brookings Metro *Monitor* ranks Austin’s economic performance from 2009 to 2014 as the second best in the nation based on an analysis of jobs, gross metropolitan product, and aggregate wages. In January 2016, Newgeography.com and *Forbes* published an analysis of the largest 53 metropolitan areas looking at metrics indicative of past, present, and future vitality to determine which ones are most likely to boom over the next 10 years. Austin was at the top of this list of “America’s Cities of the Future.” The analysis stated that the City “has become one of the nation’s superlative economy over the past decade.”

While Austin has diversified over the last decade, the technology industry still plays a large role in the City's economy. Technology companies with a long history in Austin, like Dell, IBM, and Advanced Micro Devices, continue to be some of Austin's largest employers. Other large technology companies in the area are expanding. Oracle recently announced it will build a new 27-acre corporate office in Austin and expand its workforce in the area by 50%. After beginning to manufacture the Mac Pro in Austin several years ago, Apple Inc. is in the process of building a new 38-acre campus in northwest Austin and further expanding its workforce here. In addition, over the past several years Google has expanded its presence in the City with everything from Google Fiber to the testing of self-driving cars.

Expansion in other business sectors is also strengthening. Austin's vibrancy and favorable economic climate has spurred the development of a number of new hotels over the last few years. The resulting increase in employment in the leisure and hospitality industry was in excess of 30 percent since 2010. Construction of the University of Texas medical school is expected to continue to spur the life science sector. In 2014 Travis County posted growth of 5.7% in the financial services sector, second fastest in the nation. Finally, in its 2015 study of startup activity, the Kaufmann Foundation found that the Austin metro area created more startups than any other metro area, averaging 550 new entrepreneurs per month.

Texas Economy – The Texas economy has been strong for well over a decade. With a \$1.65 trillion economy, Texas ranks second only to California. In October 2015, *Forbes* listed Texas as one of the top ten Best States for Job Growth and ranked the state first for current economic climate. Chief Executive Magazine in its 2015 survey found that CEOs consider Texas as the best state for business for the 11th year in a row stating "Since the recession began in December 2007, 1.2 million net jobs have been created in Texas, while 700,000 net jobs were created in the other 49 states combined."

With the current downturn in oil prices, growth in Texas has been slowing but is still positive. Virtually all Texas metro areas had more jobs in December 2015 than in December 2014; however, the 2015 annual growth rate for the state was 1.4%, below the national rate of 1.9%. In addition, all four of Texas' major cities were in the top ten of the previously mentioned *Forbes* list, "America's Cities of the Future."

Employment – Despite the state-wide slowdown, Austin area employment growth continued in 2015. The Austin metro area was the fastest growing in the state, increasing at a rate of 3.8% during 2015. Austin's unemployment rate was at 3.1% in December 2015, down from 3.4% in December 2014 and well below the December State and National unemployment rates of 4.7% and 5.0%, respectively. Over the last five years, the Austin metro area has created more than 160,000 new jobs, an increase of over 18%. According to the Milken 2015 Best-Performing Cities report "Austin had the second fastest job growth in the nation over the past five years." *Forbes* ranked Austin at the top of its 2015 list of "Cities Creating the Most Technology Jobs." The magazine cited a study by the Praxis Strategy Group that looked at employment data for the 52 largest metro areas from 2004 to 2014. During that time the Austin metro area experienced an expansion in the technology sector of 73.9%. The outlook for 2016 continues to be strong. Recently WalletHub ranked Austin as the third best metro area to find a job in 2016 based on its job market and socio-economic environment. AngelouEconomics Inc. predicts Austin will add another 130,000 residents over the next two years. They further predict the addition of over 60,000 jobs during that same time frame for a two-year job growth rate of 6.3 percent.

Sales Taxes – Since 2009, sales tax revenue has steadily increased. Fiscal year 2015 experienced a robust 7.7% increase over fiscal year 2014, which was a 7.5 % increase over 2013.

Tourism – Austin continues to be a destination for both business and recreational activities. Austin is known around the world as the "Live Music Capital of the World" with over 250 live music venues. In March 2015, South by Southwest (SXSW) hosted its 29th annual festival, conference, and trade show, providing a unique convergence of original music, independent films, and emerging technologies and more recently education and sustainability. According to an economic impact analysis prepared by Greyhill Advisors, SXSW was responsible for injecting more than \$317 million into the Austin economy. Other major festivals include the Austin City Limits Music Festival, Austin Film Festival, and Fun Fun Fun Fest.

The growing local economy in Austin relies on quality air service to foster business, government, and leisure travel. During 2015 Austin's airport, Austin-Bergstrom International Airport ("ABIA"), set a new record for annual traffic for the fifth consecutive year. In 2015, over 11.9 million passengers passed through ABIA, enjoying over 1,100 live music performances, 65 tons of brisket and almost 700,000 breakfast tacos. Air carriers continue to add direct flights to Austin facilitating connections with over 70 countries throughout Europe, Africa, the Middle East, and Asia. In July 2015, *Travel & Leisure* ranked ABIA fifth in the publication's list of best domestic airports.

To accommodate the increased flights and passengers, ABIA completed three major projects in 2015: an expanded taxiway, a consolidated rental car facility, and expansion of the east terminal adding over 56,000 square feet including a new Customs and Border Protection area which more than doubles the capacity to process international arrivals as well as adding a new six-lane TSA checkpoint. In 2016, construction will begin on a nine gate terminal expansion.

Hotel/motel tax revenues were 15% greater in 2015 than the previous year. High occupancy rates have spurred construction of new hotels across the Austin metro area. The greatest concentration is downtown where hoteliers such as JW Marriott, Fairmont, Westin, and Kimpton added 2,000 rooms in 2015 and are constructing over 1,000 more. Additional hotel inventory allows Austin to accommodate an increase in both number and size of events hosted and is having a positive impact on the City's convention center.

Medical School – In 2016, the Dell Medical School at the University of Texas at Austin will be operational. The University is partnering with the Seton Healthcare Family, who is building a cutting-edge teaching hospital, and Level 1 Trauma Center, and Central Health, who will purchase services from the medical school for the population it serves. In 2015, the first medical school class was selected, preliminary accreditation was received, and construction of both the medical school and the Dell Seton Medical Center at the University of Texas continued. The school is scheduled to accept its first class in June 2016 and the hospital will open in 2017. An economic analysis by TXP, Inc. estimated the economic impact of the school to be almost \$1 billion in direct annual spending and 6,900 direct jobs. To leverage the economic potential created by the medical school, in December 2014 the City Council directed the City Manager to explore creation of an innovation zone in the northeast quadrant of downtown. Such zones have been successful economic engines in other major U.S. cities such as Seattle, Boston, and Raleigh-Durham. Central Health supports the zone and has begun the visioning process for redevelopment of 14 acres it owns in the heart of the zone which will become available when hospital operations transition to the teaching hospital in several years.

Real Estate – All sectors of the real estate market are performing well. Austin area home sales for 2015 were up 5% over 2014 and set a record for annual single-family home sales. As of the end of December the market featured 2.2 months of housing inventory, less than half of the level considered to represent a balanced housing market. As a result, the median price for a single family home continues to rise, up about 9% over the previous year from \$242,500 to \$263,900. Opinions about Austin's real estate market are mixed. Fitch believes that Austin's real estate market is overpriced by about 19% but views growth and pricing appreciation as currently supportable. However, an analysis by Trulia indicated Austin as number 3 on its list of real estate markets to watch in 2016 based on its share of millennials and job growth.

Multifamily occupancy rates are near 95%, down from the 2013 high of 97%. Total absorption in 2015 was at an all-time high of over 9,300 units. With strong occupancy and absorption, rents per square foot continue to increase but at a slower pace, 1.5% for the last six months of 2015 to a high of \$1.35. The office market is also solid with an average occupancy rate of 92.5% at the end of 2015 and absorption of "direct" lease space of over 925,000 square feet during the year. The retail market remains tight with a 2015 year-end occupancy rate around 96%. According to *Emerging Trends in Real Estate 2016* published by PricewaterhouseCoopers US and the Urban Land Institute, Austin will be one of the two top markets to watch in 2016 along with Dallas/Fort Worth. Among other things, the study cited diverse job creation and being attractive to all age levels.

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

Recognition – In addition to the accolades mentioned above, Austin has ranked at the top of lists such as Kaufmann Foundation, WalletHub, Savills, and others in regards to growth, jobs, recreation opportunities, health, and business opportunities:

#1 Top Cities for Tech Businesses (International ranking) <i>Savills World Research</i> – February 2015	#3 Best Places to Live and Work as a Moviemaker 2016 (Big Cities) <i>MovieMaker</i> – January 2016	#1 Kaufmann Index of Startup Activity Kaufmann Foundation – June 2015
#4 Top Ten Cities for Creatives <i>SmartAsset</i> – July 2015	#1 Best Cities for Millennials <i>Money</i> – September 2015	# 1 Healthiest City in Texas <i>24/7 Wall St.</i> – August 2015
#1 Best Cities for Young Families in 2016 <i>ValuePenguin.com</i> – Winter 2016	#6 2015's Best Cities for Summer Travel <i>WalletHub</i> – Spring 2015	#1 Cities with Abundant Transportation Choices <i>U.S. Public Interest Research Group</i> – February 2015
#2 Economic Growth Potential <i>Metro and Global Rankings Business Facilities</i> – July 2015	#1 Cities Americans Are Flocking to <i>Forbes</i> – October 2015	Tied for #1 Job Creation Index Scores <i>CGallup</i> – March 2015

Major Initiatives

The City's vision is to be the most livable city in the country. The following policy priorities were adopted in April 2007 by the City Council and amended in 2009:

- ❖ Rich Social and Cultural Community
- ❖ Vibrant Urban Fabric
- ❖ Healthy, Family-Friendly, Safe City
- ❖ Sustainable Economic Development and Financial Health

Best Managed City – To achieve the vision of making Austin the most livable city in the country and to support City Council's policies and initiatives, the employees of the City – whether they are executives, managers, or front-line service providers – have the singular mission of making the City of Austin the best managed city in the country. This mission is implemented through transparent business practices, excellence in public service, innovative leadership, and providing services that are reliable, safe, efficient, and above national standards.

City staff is committed to creating a work environment that fosters creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. City employees take enormous pride in their work. PRIDE reflects the City's core values of public service and how employees relate to customers and each other. The elements of PRIDE include: **P**ublic Service & Engagement; **R**esponsibility & Accountability; **I**nnovation & Sustainability; **D**iversity & Inclusion; and **E**thics & Integrity.

Being “best managed” means everyone in the organization is providing the best service possible to the community. Reflecting the PRIDE that the City's employees take in their work, Austin ranks 28 percentage points above the national average for large cities for overall quality of customer service and is at or above the national average in 31 of 46 of the City's benchmark indicators.

Imagine Austin – Austin residents share a sense of community pride and a determination that the City's vision is not just a slogan, but a reality for everyone who lives here. In 2012, after an extensive public process, the City Council unanimously voted to adopt Imagine Austin, the City's comprehensive plan for Austin's future. The plan defines where the City is today and where we want to go, setting a context to guide decision-makers for the next 30 years. The resulting plan adheres to 6 core principles established by Austin citizens:

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

Implementing this vision will take many incremental steps over time. The plan's success is monitored annually with performance metrics and will be formally assessed at least every five years. Cross-departmental and cross-jurisdictional action teams have been created for these areas and the 2016 budget and capital plan include funding to support these principles. Additionally, a number of the initiatives discussed below also directly support Imagine Austin.

CodeNext – The City has embarked on a major initiative to revise the City's land development code which determines how land can be used throughout the City. This initiative is one of the priority programs of Imagine Austin and is expected to be completed in late 2016.

Development – For a number of years, the City has been committed to the redevelopment of many of its downtown properties. Beginning with the development of six blocks in the warehouse district in the early 2000's, Austin's participation in joint public/private partnerships continues to contribute to a vibrant downtown and an enhanced tax base. Current downtown redevelopment is focused in the Seaholm District, an area in the southwest portion of downtown which was previously home to a water plant, an electric generation plant, and other electric facilities. The area is in the process of being transformed into an extension of Austin's downtown waterfront. In early 2016, portions of the new street grid serving the area were opened and the grid will be fully complete and operating by the summer or early fall of 2016.

Construction in this area includes:

- The City's new central library which will open in the fall of 2016. Among other things, this "library for the future" will feature flexible and blended spaces, state-of-the-art technology, sustainable features, and community gathering places.
- Extensive improvements to Shoal Creek in the Seaholm area to facilitate bicycle and pedestrian use.
- A \$130 million mixed-used development that involves renovation and reuse of the historical and architecturally-significant Seaholm power plant, as well as several new buildings on the site. As the result of one of the City's economic development agreements, the offices of athenahealth, Inc., a software company, moved into the renovated power plant in February 2015. Construction of the site is well underway and condominium tower occupancy is expected in early 2016.
- Redevelopment of the Green Water Treatment Plant site with 1.7 million square feet of mixed use development. Construction on two of the four blocks on this site is well underway and a third block is expected to break ground in 2016. The tallest predominately residential building west of the Mississippi on the previous site of Austin Energy's energy control center. Groundbreaking occurred in January 2016 and construction is expected to be complete in three years.

On the eastern edge of downtown, construction of the Waller Creek Tunnel Project continues. This mile-long stormwater bypass tunnel will address problems of flooding, erosion, and water pollution along lower Waller Creek. By taking nearly 28 acres of prime downtown land out of the 100-year floodplain, the project is expected to spur redevelopment and revitalization in the area. Several miles from downtown, the City continues its public/private partnership to redevelop the site of the previous airport, Mueller. This 700 acre, vibrant, mixed-use urban village includes residential neighborhoods, retail, and office spaces, extensive parks, and trails. The development, which is sustainable, transit-oriented, and offers affordable housing opportunities, is approximately 40 percent complete, and has a current assessed value of over \$800 million. Demand for housing at Mueller has been high due to its proximity to downtown and many amenities. During 2015, the development received the American Planning Association's HUD Secretary's Opportunity and Empowerment Award recognizing the success of this project which uses creative housing, economic development and private investments to empower the community and improve the quality of life for low and moderate income community members.

Addressing the Impacts of Growth – The level of growth that Austin has sustained over the last few years does not come without a cost. Housing affordability is increasingly an issue in a region where housing costs have been rising at a brisk pace for several years. More than 40% of Austinites pay more than 35% of their income on housing. Affordability is a prime consideration as the City makes decisions that impact the citizens who live here and the businesses that operate here. Whether setting taxes or utility rates, taking actions that provide affordable housing, or providing services and

programs to the underprivileged members of the community, affordability is always part of the discussion. To address this, during 2015 City Council approved the construction of more than 5,300 affordable housing units and created the first Homestead Preservation Districts in Texas.

Traffic continues to be an issue that the region as a whole must address. In 2015, the City developed a Traffic Congestion Action Plan that outlines immediate and long-term steps to help alleviate traffic issues throughout the City. As a result of construction levels at an all-time high, the City is dealing with the stresses placed on its development-related services. An external operational assessment was completed in 2015 and the City developed a multiyear action plan to address the resulting recommendations beginning with the addition of funding and staff in the 2016 fiscal year budget.

Transparency – The City’s ongoing commitment to transparency of financial transactions and processes is exemplified by Austin Finance Online (AFO). Since its inception in 2011, AFO has been recognized by the Texas State Comptroller for achieving the highest standards in financial transparency online. After receiving the Gold Level Leadership Circle Award for four consecutive years, the City recently received its second Platinum Leadership Award. AFO provides a one-stop web-based portal containing an extensive library of budget and financial documents, an online contract catalog, payment register information, and other City financial information.

Innovation and Sustainability – Austin’s commitment to sustainability and innovation has been recognized by a number of organizations. The City’s Neighborhood Partnering Program was awarded the American Planning Association’s Leadership in Sustainability award in April 2014. This program provides opportunities for community and neighborhood organization to affect public improvements by cost sharing with the City. In October 2015, Austin Water received the Sustainable Water Utility Management Award from the Association of Metropolitan Water Agencies for its conservation and drought management strategies and its partnerships with stakeholders to develop policies reflective of community values. The City of Austin was also named a Top 10 Digital City by the Center for Digital Governance in November 2015 in recognition of a variety of innovative efforts across the City.

Climate Protection - The City has long been a national leader in the climate protection arena through the efforts of City leaders, the City-owned electric utility (Austin Energy), and the participation of customers from residential to other governmental entities and private businesses. As a result of these efforts and partnerships, Austin Energy led all public power utilities in the country for sales of renewable energy again in 2014. In January 2016, the EPA’s Green Power Partnership program ranked Austin fifth in the country among all local government program partners using the most renewable energy. During 2015, the City Council approved an update of the Austin Energy’s Energy Resource Plan to 2025, which increased the renewable energy goal to 55 percent by 2025. Progress towards this goal was made in October when the City approved the purchase of an additional 300 MW of solar power which will position Austin Energy to be the largest user of solar power in Texas. Additionally, in June 2015 City Council adopted the Austin Community Climate Plan which includes strategies to meet the City’s goal of achieving net zero greenhouse emissions by 2050.

FINANCIAL INFORMATION

Internal Controls

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

Financial Policies

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

Long-Term Financial Planning

The City's leaders look towards and plan for the future. The City's approach of balancing the budget by not relying on one-time solutions, while at the same time making key investments in the community, the infrastructure, the economy, the sustainability, and its employees is providing a 21st century "best-managed" model for cities all around the country. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the following year's operating budget. As directed by the financial policies, the City's budgeting approach emphasizes fiscal responsibility by limiting spending in a given year to projected revenue collections.

In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. During 2014, the City completed its first Long-Range CIP Strategic Plan, which covers a 10-year planning horizon, improving the transparency of the City's long-term infrastructure plans. This plan further aligns the City's CIP investments with the Imagine Austin Comprehensive Plan as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a growing community and strategic investments that support community priorities.

On November 5, 2013, voters approved \$65 million in general obligation debt for affordable rental and ownership housing as well as preservation of existing affordable housing stock. The City is implementing projects authorized by this election as well projects authorized in the November 2012 election, when Austin voters approved a \$307 million general obligation bond program that includes transportation and mobility projects, as well as projects for open space and watershed protection, parks and recreation, public safety, health and human services, and library, museum and cultural arts facilities. This bond program is being overseen by the Council-appointed Bond Oversight Committee, which is charged with ensuring efficiency, equity, timeliness, and accountability in the implementation of the program.

On November 8, 2016, voters will consider approving the issuance of general obligation debt in an amount up to \$720 million to finance transportation and mobility projects.

Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. Because of consistent adherence to our financial policies, the City's bond ratings for General Obligation bonds continue to receive the highest rating issued by each rating agency: Moody's (Aaa), S&P (AAA) and Fitch (AAA). In November 2012, Austin Energy improved its S&P credit rating from A+ to AA-, a reflection of a rate increase and the utility's diverse portfolio, as well as the City's robust economy.

Budgetary Control

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

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the City's 2015 Comprehensive Annual Financial Report ("CAFR"), the City continues to meet its responsibility for sound financial management.

Budgetary Information

The 2016 Budget was developed in a manner true to the City's commitment to openness, transparency, and public engagement. The City's Budget is organized around activities and services. The budget development process integrates the City's finances with business planning, performance measurement, and resident input, thereby elevating budget discussions to meaningful conversations about outcomes that impact our residents. Input was gathered and evaluated to address the many issues, concerns, and priorities identified by the City's citizens, employees, and Councilmembers. The result was a budget built around the ideals of livability, affordability and inclusivity that dictate the operations of the City government and form the basis of the budget.

The structurally balanced fiscal year 2016 Approved Budget totals \$3.5 billion and includes \$911 million for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services to the citizens of the City. The 2016 budget was approved with a decrease to the property tax rate of more than 2 cents, from 48.09 to 45.89 cents per \$100 of taxable value. The approved tax rate balances the tax impact to property owners with the need to invest in our community and continue providing the outstanding services Austinites have come to expect.

Included in the approved budget are 3.0 % pay increases for non-sworn employees. Sworn EMS employees and Austin Police Association members will receive a base wage increase of 1% as well as step and longevity pay as established in labor contracts in 2013. Under a recently approved labor contract with the Austin Firefighters' Association, firefighters received a 1% increase in June 2015 and will receive an additional 2.5% in 2016. In response to continuing growth in the City, the approved budget enhances public safety by adding approximately 100 new sworn positions. Positions were also added to the 911 call center to address increased call intake. Funding was provided to continue a multiyear strategy to better manage demands on service delivery resulting from the City's growth in recent years.

The City's largest enterprise department, Austin Energy, is the eighth largest municipal-owned electric utility in the United States in terms of customers served. Austin Energy serves more than 455,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. The approved budget for fiscal year 2016 is \$1.4 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources such as solar and wind.

The City's second largest enterprise activity is Austin Water, which provides water and wastewater services to customers within Austin and surrounding areas. The fiscal year 2016 approved budget projects revenues of \$548.8 million. Growth in revenue is the result of projected customer growth as well as a combined system-wide rate increase of 4.9%. In December 2014, the utility opened Water Treatment Plant 4. With a capacity of 50 million gallons per day, it provides redundancy in the water system and helps to sustain reliable water services into the future.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2014 CAFR. The City has received this award for 8 consecutive years. The certificate is valid for a period of one year only. City management believes that the 2015 CAFR conforms to the Certificated of Achievement Program requirements, and is submitting it to the GFOA for review.

The City also received the GFOA Distinguished Budget Presentation award for the 2015 budget as well as a 2014 Certificate of Excellence in Performance Measurement from the International City/County Management Association (ICMA).

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

Employment by Industry in the Austin Metropolitan Area (a)

Employment Characteristics

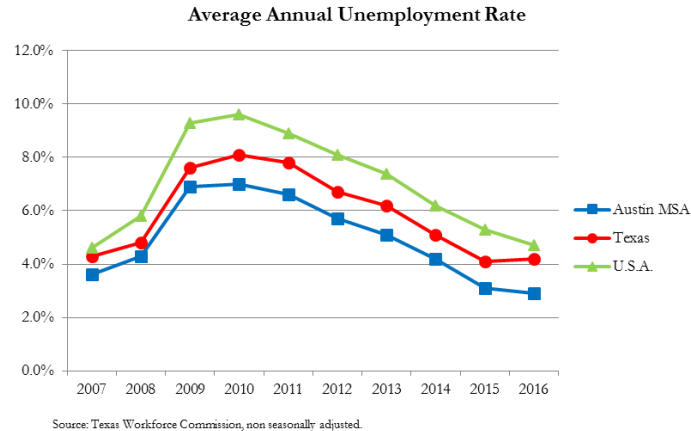
	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>	
		% of total		% of total		% of total		% of total		% of total
Mining, Logging, and Construction	40,000	5.0%	42,700	5.1%	46,000	5.2%	50,700	5.5%	55,600	5.8%
Manufacturing	55,100	6.8%	56,600	6.7%	57,200	6.5%	57,700	6.3%	57,600	6.0%
Trade, Transportation, and Utilities	139,300	17.3%	145,200	17.3%	152,300	17.3%	158,500	17.3%	164,800	17.2%
Information	21,000	2.6%	22,700	2.7%	23,900	2.7%	25,200	2.7%	26,900	2.8%
Financial Activities	44,800	5.6%	47,000	5.6%	49,300	5.6%	51,900	5.7%	53,700	5.6%
Professional and Business Services	121,400	15.1%	129,600	15.5%	139,300	15.9%	150,400	16.4%	161,300	16.8%
Education and Health Services	92,900	11.5%	98,100	11.7%	102,500	11.7%	106,400	11.6%	111,500	11.6%
Leisure and Hospitality	90,200	11.2%	94,300	11.2%	100,600	11.5%	107,100	11.7%	115,300	12.0%
Other Services	33,800	4.2%	35,800	4.3%	37,900	4.3%	39,600	4.3%	40,700	4.2%
Government	<u>167,900</u>	<u>20.8%</u>	<u>166,800</u>	<u>19.9%</u>	<u>169,000</u>	<u>19.2%</u>	<u>170,000</u>	<u>18.5%</u>	<u>171,800</u>	<u>17.9%</u>
Total nonfarm employment	<u>806,400</u>	<u>100.0%</u>	<u>838,800</u>	<u>100.0%</u>	<u>878,000</u>	<u>100.0%</u>	<u>917,500</u>	<u>100.0%</u>	<u>959,200</u>	<u>100.0%</u>

(a) Austin-Round Rock MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically; data contained in this document is the latest provided. Based on calendar year.

Source: U.S. Bureau of Labor Statistics. Non-seasonally adjusted.

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

Average Annual Unemployment Rate



	<u>Austin MSA</u>	<u>Texas</u>	<u>U.S.A.</u>
2007	3.6%	4.3%	4.6%
2008	4.3%	4.8%	5.8%
2009	6.9%	7.6%	9.3%
2010	7.0%	8.1%	9.6%
2011	6.6%	7.8%	8.9%
2012	5.7%	6.7%	8.1%
2013	5.1%	6.2%	7.4%
2014	4.2%	5.1%	6.2%
2015	3.4%	4.5%	5.3%
2016 ⁽¹⁾	2.9%	4.2%	4.7%

Note: Information is updated periodically; data contained in this document is latest provided.

Source: Texas Labor Market Review, Texas Workforce Commission.

(1) As of April 2016.

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>	<u>Period</u>	<u>Amount</u>
1-1-11	\$11.492	1-1-12	\$12.189	1-1-13	\$13.126	1-1-14	\$15.123	1-1-15	\$15.260	1-1-16	\$16.138
2-1-11	16.149	2-1-12	16.923	2-1-13	18.079	2-1-14	19.112	2-1-15	21.092	2-1-16	21.884
3-1-11	11.117	3-1-12	11.762	3-1-13	13.324	3-1-14	13.782	3-1-15	14.677	3-1-16	15.667
4-1-11	10.312	4-1-12	11.838	4-1-13	12.727	4-1-14	13.803	4-1-15	14.345	4-1-16	15.528
5-1-11	14.022	5-1-12	15.239	5-1-13	15.962	5-1-14	17.750	5-1-15	19.404	5-1-16	19.258
6-1-11	11.941	6-1-12	12.949	6-1-13	12.869	6-1-14	15.581	6-1-15	15.958	6-1-16	17.070
7-1-11	11.924	7-1-12	13.168	7-1-13	14.699	7-1-14	14.723	7-1-15	16.180	7-1-16	16.836
8-1-11	14.387	8-1-12	15.371	8-1-13	16.088	8-1-14	16.970	8-1-15	19.483		
9-1-11	11.307	9-1-12	14.220	9-1-13	14.119	9-1-14	15.385	9-1-15	16.429		
10-1-11	13.385	10-1-12	13.960	10-1-13	14.644	10-1-14	15.309	10-1-15	16.514		
11-1-11	13.873	11-1-12	14.570	11-1-13	16.187	11-1-14	17.734	11-1-15	18.952		
12-1-11	12.004	12-1-12	14.373	12-1-13	14.192	12-1-14	15.735	12-1-15	16.269		

(1) Collections for 10-1-11 reflect an increase of \$1,162,541 in future period and audit collection adjustments from the prior year. Sales taxes are not pledged to the payment of the Bonds.

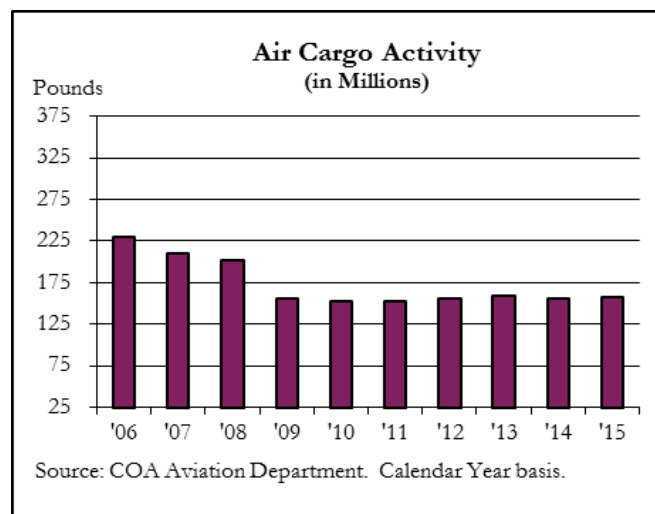
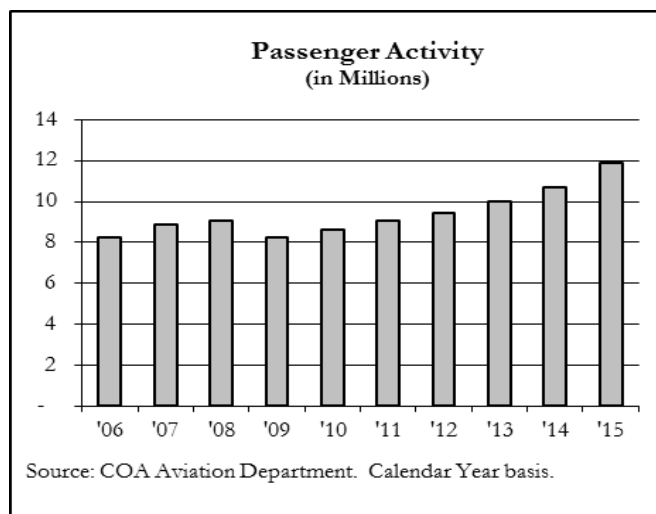
Source: City of Austin, Budget Office.

Ten Largest Employers (As of September 30, 2015)

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
State Government	Government	38,499
The University of Texas at Austin	Education	23,131
Dell Computer Corporation	Computers	13,000
City of Austin	Government	12,977
Federal Government	Government	11,800
Austin Independent School District	Education	11,478
HEB Grocery	Grocery/Retail	11,277
Seton Healthcare Network	Healthcare	10,945
St. David's Healthcare Partnership	Healthcare	8,369
IBM Corporation	Computers	6,000

Source: 2015 Comprehensive Annual Financial Report.

Transportation



Austin-Bergstrom International Airport

The City of Austin's Austin-Bergstrom International Airport, which opened for passenger service on May 23, 1999 and replaced the Robert Mueller Municipal Airport as the City's commercial passenger service airport, is served by seven signatory airlines: American Airlines, Delta, Frontier, JetBlue, Southwest, United and US Airways. Non-stop service is available to 34 U.S. destinations. On March 3, 2014, British Airways began non-stop service to London Heathrow Airport.

On February 21, 2013, the City issued \$143,770,000 of its Rental Car Special Facility Revenue Bonds, Taxable Series 2013, to finance a state-of-the-art rental car facility within walking distance of the Airport terminal. Ground breaking for the facility occurred in April 2013 and the facility opened for business, as scheduled, on October 1, 2015.

On December 9, 2014, the City issued \$244,495,000 of Airport System Revenue Bonds, Series 2014 (Alternative Minimum Tax), to finance the design and construction costs of improvements to ABIA. The projects include terminal expansions (to be completed by summer 2018), parking garage project design (financing for the construction costs anticipated in 2016), and other various capital improvements including HVAC, miscellaneous repair and replacement projects.

Other Forms of Transit

Rail facilities are furnished by Union Pacific and Longhorn Railway Company. Amtrak provides a stop for its passenger train traveling the Mexico City-Kansas City route. Bus service is provided by Greyhound and Kerrville Bus-Coach USA.

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 a one quarter percent increase in the sales tax, thus returning to one percent effective October 1, 1995.

Demographic and Economic Statistics - Last Ten Years

<u>Year</u>	<u>City of Austin Population (1)</u>	<u>Area of Incorporation (Square Miles) (1)</u>	<u>Population MSA (2)</u>	<u>Income (MSA) (thousands of dollars) (2)</u>	<u>Median Household Income MSA (3)</u>	<u>Per Capita Personal Income MSA (3)</u>	<u>Unemployment Rate (MSA) (4)</u>
2006	714,237	296	1,528,958	56,105,872	40,888	36,695	4.1%
2007	732,381	297	1,577,856	59,924,200	42,263	37,978	3.6%
2008	746,105	298	1,633,870	65,153,669	46,340	39,877	4.3%
2009	770,296	302	1,682,338	64,290,898	47,520	38,215	6.9%
2010	778,560	306	1,727,743	69,124,528	48,460	40,009	7.0%
2011	805,662	308	1,782,089	75,581,541	46,689	42,412	6.6%
2012	821,012	319	1,836,149	83,215,532	46,818	45,321	5.7%
2013	841,649	321	1,885,803	85,628,710	46,436	45,407	5.1%
2014	878,002	321	1,912,746	91,385,667	49,227	47,026	4.2%
2015	899,199	323	1,927,989 (6)	95,782,723 (5)	52,519 (6)	49,680 (5)	3.3%
2006-2015 Change	25.89%	9.19%	26.1%	70.72%	28.45%	35.39%	

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

- (1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
- (2) Source: Bureau of Economic Analysis for all years except 2015 which will not be available until later in 2016.
- (3) Source: Claritas, a Nielson Company.
- (4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30.
- (5) Data not available for 2015. Figures are estimated.
- (6) Source: Nielsen SiteReports.

Utility Connections

<u>Year</u>	<u>Utility Connections</u>		
	<u>Electric (1)</u>	<u>Water (1)</u>	<u>Gas (1)</u>
2006	380,697	197,498	213,009
2007	388,620	200,956	188,101
2008	397,100	207,979	198,718
2009	407,926	209,976	208,232
2010	413,870	210,885	204,823
2011	417,865	212,752	213,365
2012	422,375	214,928	217,170
2013	430,582	217,070	216,688
2014	439,403	217,036	223,500
2015	450,479	223,164	228,700

(1) Based on the City’s fiscal year, which runs October 1 through September 30.

Source: Various including the City of Austin, Texas Gas Services, Atmos Energy and Centerpoint Energy.

Housing Units

Rental rates in the City averaged \$1.39 per square foot, with an occupancy rate of 94.0% as of June 2016, per Capitol Market Research.

Residential Sales Data

<u>Year</u>	<u>Number of Sales</u>	<u>Total Volume (\$)</u>	<u>Average Price (\$)</u>
2007	27,571	6,783,518,944	246,000
2008	22,068	5,369,952,456	243,300
2009	20,407	4,830,082,305	236,700
2010	19,547	4,819,525,215	246,600
2011	21,033	5,281,578,405	251,100
2012	25,196	6,705,676,184	266,100
2013	29,966	8,601,240,042	287,000
2014	30,146	9,269,347,856	307,500
2015	31,519	10,447,340,988	331,500
2016 (1)	16,155	5,580,311,512	345,400

(1) As of June 2016.

Note: Information is updated periodically; data contained in this document is latest provided.

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

City-Wide Austin Office Occupancy Rate

<u>Year</u>	<u>Occupancy Rate</u>
2007	85.6%
2008	80.6%
2009	77.7%
2010	80.0%
2011	82.7%
2012	86.8%
2013	89.2%
2014	90.9%
2015	90.9%
2016 (1)	90.4%

(1) As of June 2016.

Source: Oxford Commercial.

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

Education

The Austin Independent School District has an enrollment of 83,364 for the 2015/2016 school year and an estimated average daily attendance of 76,413. The District includes 130 campus buildings.

<u>School Year</u>	<u>Average Daily Attendance</u>
2006/07	74,202
2007/08	74,623
2008/09	75,607
2009/10	76,727
2010/11	77,982
2011/12	78,914
2012/13	78,972
2013/14	77,974
2014/15	77,359
2015/16	76,413

Source: Austin Independent School District; Texas Education Agency.

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

The University of Texas at Austin had a total enrollment of 50,950 for the fall semester of 2015 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.

Tourism

The impact of tourism on the City's economy is significant. There are approximately 32,000 hotel rooms available within the Austin Metropolitan Area and occupancy through the 4th quarter of 2015 was 74.1%.

Existing City convention and meeting facilities include a 881,000 square-foot Convention Center with 369,000 total square feet of exhibit and meeting space, which is supported by hotel/motel occupancy tax collections and revenues of the facility and the Lester E. Palmer Events Center with 70,000 square feet of exhibit space and 5,000 square feet of meeting 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 Long Center for the Performing Arts. The Texas Exposition and Heritage Center offers a 6,000-seat arena and 20,000 square feet of banquet/exhibit hall facilities. The Long Center for the Performing Arts, a \$77 million venue, opened in March 2008. The Center contains two theaters: the 2,400-seat Michael and Susan Dell Hall and the flexible 230-seat Debra and Kevin Rollins Studio Theater. This venue belongs to the City, while a private nonprofit entity operates the building. The Austin City Limits Live at The Moody Theater is a state-of-the-art, 2,700+ person capacity live music venue that also serves as the home of the KLRU-TV produced PBS program Austin City Limits, the longest running music series in American television history. The venue hosts approximately 100 concerts a year. In 2012, the Circuit of the Americas opened its 1,500-acre venue just outside downtown Austin that is a premier destination for world-class motorsports and entertainment in the United States. The venue includes a 3.41 mile racetrack and the Austin360 Amphitheater, which is the largest permanent outdoor amphitheater in Central Texas. Additionally, the University of Texas Darrel K. Royal-Texas Memorial Stadium has a seating capacity of 100,119.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units which represent 99.8% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports, one of which (Austin Bergstrom Landhost Enterprises) contains an emphasis of matter paragraph related to a going concern issue, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, beginning net position was restated due to the City's implementation of Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No.27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* during the year ended September 30, 2015. Our opinion is not modified with respect to this change.

Other Matters

Required Supplementary Information

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

Deloitte & Touche LLP

March 28, 2016

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 71.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

The assets of the City exceeded its liabilities at the end of the fiscal year 2015, resulting in \$4.1 billion of net position. Net position associated with governmental activities is approximately \$0.7 billion, while the net position associated with business-type activities is approximately \$3.4 billion, or 83.8% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is \$3.9 billion, or 94.6% of total net position. The City implemented GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27"* during the year, which increased the net pension liability in the financial statements by \$1.2 billion over the previously reported net pension obligation.

The City's unrestricted net position is a deficit of \$557 million. Unrestricted net position for governmental activities is a deficit of \$1.1 billion, while unrestricted net position for business-type activities is approximately \$560.3 million, or 16.4% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of \$844.1 million and other postemployment benefits payable of \$484.9 million.

During fiscal year 2015, total net position for the City of Austin increased \$183.9 million or 4.7%. Of this amount, governmental activities decreased \$18.3 million, or 2.7% from the previous year and business-type activities increased \$202.2 million, or 6.3%.

Total revenues for the City increased \$190.5 million; revenues for governmental activities increased \$70.9 million; revenues for business-type activities increased \$119.6 million. Total expenses for the City increased \$106.3 million; expenses for governmental activities increased \$59.5 million; expenses for business-type activities increased \$46.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

a -- Government-wide financial statements

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

- The **Statement of Net Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.
- The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

The government-wide financial statements also include three discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), and Waller Creek Local Government Corporation (WCLGC). These entities are legally separate entities that do not meet the GASB reporting requirements for inclusion as part of the City's operations; therefore, data from these units are shown separately from data of the City. More information on these entities can be found in the notes to the financial statements, including how to get a copy of separately audited financial statements for ACE and ABLE. WCLGC activities are recorded in the City's financial system and city staff prepares the financial reports for this entity.

b -- Fund financial statements

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

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

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

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

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

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Austin EnergyTM, Austin Water Utility, and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.
- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management; Combined Transportation, Emergency and Communications Center (CTECC); Employee Benefits; Fleet Maintenance; Information Systems; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

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

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

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

c -- Notes to the financial statements

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

d -- Other information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net position

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

Condensed Statement of Net Position as of September 30 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 688,543	645,341	1,339,775	1,258,553	2,028,318	1,903,894
Capital assets	2,792,395	2,693,200	7,446,085	7,315,956	10,238,480	10,009,156
Other noncurrent assets	1,488	1,547	1,644,741	1,185,352	1,646,229	1,186,899
Total assets	3,482,426	3,340,088	10,430,601	9,759,861	13,913,027	13,099,949
Deferred outflows of resources	167,627	88,620	313,209	227,387	480,836	316,007
Current liabilities	324,557	321,500	489,483	481,782	814,040	803,282
Noncurrent liabilities	2,661,982	2,418,186	5,923,535	5,546,435	8,585,517	7,964,621
Total liabilities	2,986,539	2,739,686	6,413,018	6,028,217	9,399,557	8,767,903
Deferred inflows of resources	1,464	8,681	904,455	734,857	905,919	743,538
Net position:						
Net investment in capital assets	1,645,359	1,621,208	2,223,964	2,216,347	3,869,323	3,837,555
Restricted	133,984	118,335	642,052	524,653	776,036	642,988
Unrestricted (deficit)	(1,117,293)	(1,059,202)	560,321	483,174	(556,972)	(576,028)
Total net position	\$ 662,050	680,341	3,426,337	3,224,174	4,088,387	3,904,515

In the current fiscal year, total assets increased \$813.1 million and deferred outflows of the City increased by \$164.8 million. Total liabilities increased \$631.7 million and deferred inflows increased by \$162.4 million. Governmental-type total assets increased by \$142.3 million and business-type increased by \$670.7 million, while governmental-type liabilities increased by \$246.9 million and business-type increased by \$384.8 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of \$99.2 million as the City continues to build out projects from the 2006, 2010, and 2012 bond programs. Factors in the increase of governmental-type liabilities include increases in the bonds payable of \$102.7 million, related to the 2006 (\$21 million), 2010 (\$14.7 million), and 2012 (\$69.3 million) bond programs along with increases in the net pension liability of \$89.9 million and other postemployment benefits payable of \$49.6.

The most significant factor in the increase of business-type total assets is a result of an increase in capital assets of \$130.1 million or 19.4%. The primary factors in the increase in business-type total liabilities of \$384.8 million include an increase in bonds payable of \$298.9 million and an increase in the net pension liability of \$53.2 million.

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.1 billion at the end of the current fiscal year. However, the largest portion of the City's net position is represented in the net investment in capital assets (e.g. land, building, and equipment offset by related debt), which is \$3.9 billion, or 94.6% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, \$776 million of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance is a deficit of \$557 million of unrestricted net position. Unrestricted net position improved \$19.1 million in the current fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for business-type activities. However, governmental activities as well as the government as a whole report a deficit of \$1.1 billion and \$557 million for unrestricted net position, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in net position

Condensed Statement of Changes in Net Position September 30 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 160,708	141,709	2,296,132	2,225,860	2,456,840	2,367,569
Operating grants and contributions	45,470	50,333	1,039	1,489	46,509	51,822
Capital grants and contributions	70,484	66,856	110,580	65,550	181,064	132,406
General revenues:						
Property tax	476,439	448,083	--	--	476,439	448,083
Sales tax	204,029	189,464	--	--	204,029	189,464
Franchise fees and gross receipts tax	141,368	128,032	--	--	141,368	128,032
Interest and other	21,951	21,275	10,498	5,717	32,449	26,992
Special item - land sale	11,983	15,830	--	--	11,983	15,830
Total revenues	<u>1,132,432</u>	<u>1,061,582</u>	<u>2,418,249</u>	<u>2,298,616</u>	<u>3,550,681</u>	<u>3,360,198</u>
Program expenses:						
General government	131,993	118,074	--	--	131,993	118,074
Public safety	601,112	576,118	--	--	601,112	576,118
Transportation, planning, and sustainability	77,349	83,971	--	--	77,349	83,971
Public health	85,326	80,796	--	--	85,326	80,796
Public recreation and culture	134,567	117,441	--	--	134,567	117,441
Urban growth management	135,386	136,110	--	--	135,386	136,110
Interest on debt	55,855	49,617	--	--	55,855	49,617
Electric	--	--	1,203,729	1,251,599	1,203,729	1,251,599
Water	--	--	294,624	240,838	294,624	240,838
Wastewater	--	--	219,320	213,156	219,320	213,156
Airport	--	--	120,015	108,291	120,015	108,291
Convention	--	--	65,657	58,763	65,657	58,763
Environmental and health services	--	--	97,690	92,997	97,690	92,997
Public recreation	--	--	8,824	6,765	8,824	6,765
Urban growth management	--	--	135,360	125,983	135,360	125,983
Total expenses	<u>1,221,588</u>	<u>1,162,127</u>	<u>2,145,219</u>	<u>2,098,392</u>	<u>3,366,807</u>	<u>3,260,519</u>
Excess (deficiency) before transfers	(89,156)	(100,545)	273,030	200,224	183,874	99,679
Transfers	70,865	62,215	(70,865)	(62,215)	--	--
Increase (decrease) in net position	<u>(18,291)</u>	<u>(38,330)</u>	<u>202,165</u>	<u>138,009</u>	<u>183,874</u>	<u>99,679</u>
Beginning net position, as previously reported	1,308,194	1,355,433	3,328,362	3,197,015	4,636,556	4,552,448
Restatement adjustment	(627,853)	(8,909)	(104,190)	(6,662)	(732,043)	(15,571)
Beginning net position, as restated	<u>680,341</u>	<u>1,346,524</u>	<u>3,224,172</u>	<u>3,190,353</u>	<u>3,904,513</u>	<u>4,536,877</u>
Ending net position	<u>\$ 662,050</u>	<u>1,308,194</u>	<u>3,426,337</u>	<u>3,328,362</u>	<u>4,088,387</u>	<u>4,636,556</u>

Total net position of the City increased by \$183.9 million in the current fiscal year. Governmental net position decreased by \$18.3 million. The decrease is attributable to expenses exceeding revenues by \$89.2 million before transfers from other funds of \$70.9 million. Business-type net position increased by \$202.2 million due to revenues exceeding expenses by \$273 million, before transfers to other funds of \$70.9 million.

In addition, the City restated beginning net position for governmental and business-type activities as a result of the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions an amendment to GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment to GASB Statement No. 68". For more information, see Note 18.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

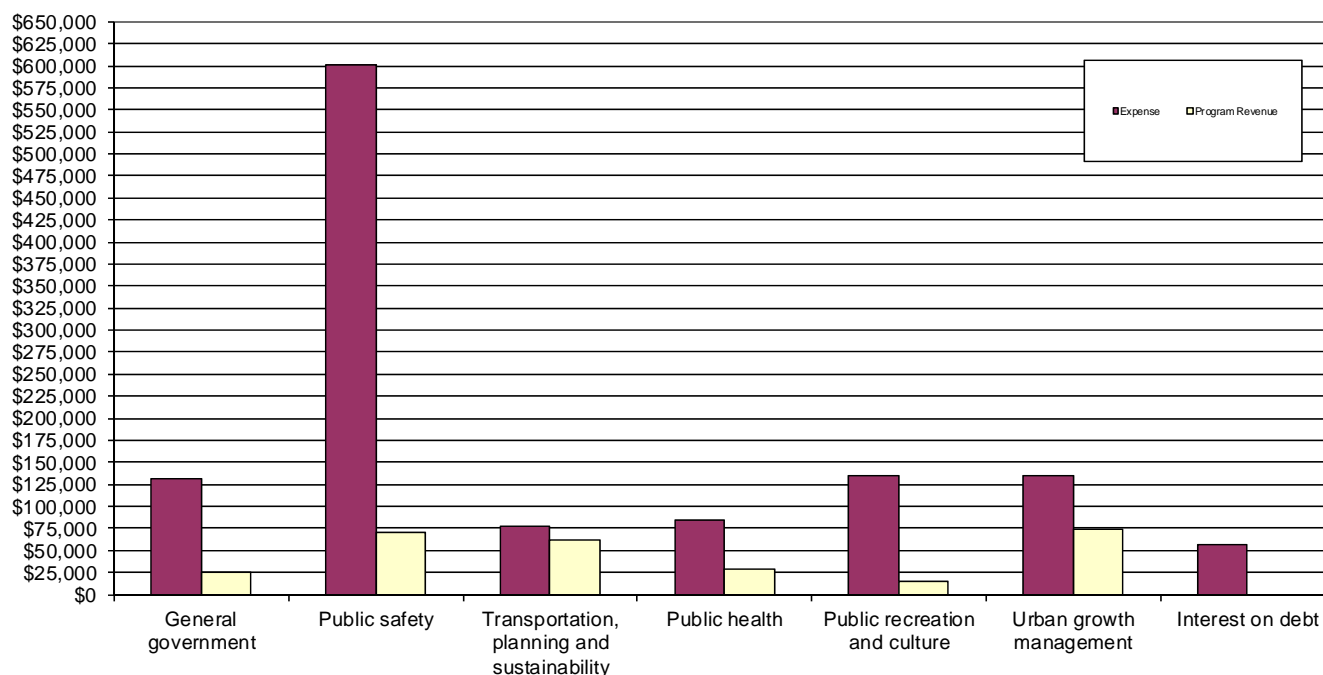
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net position by \$18.3 million in fiscal year 2015, a 2.7% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2014 to 2015 are as follows:

- The City's property tax revenue increased by \$28.4 million from the previous year due to an increase in assessed property values of \$9.9 billion, while the property tax rate per \$100 of valuation decreased from 0.5027 to 0.4809.
- Sales tax collections and franchise fees for the year were \$14.6 million and \$13.3, respectively, more than the prior year as result of the continued improvement of the Austin economy.
- The City sold a piece of land for \$12 million, which is reported as a special item. See Note 1 for more details.
- Public safety expenses, public recreation and culture expenses, and general government expenses increased \$25 million, \$17.1 million, and \$13.9 million, respectively, primarily due to increases in salaries and contractual expenditures. This increase in salaries can be attributed to an additional 147 full time equivalents and a 3% general wage increase, whereas the increase in contractual expenditures can be attributed to rising information technology costs.

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

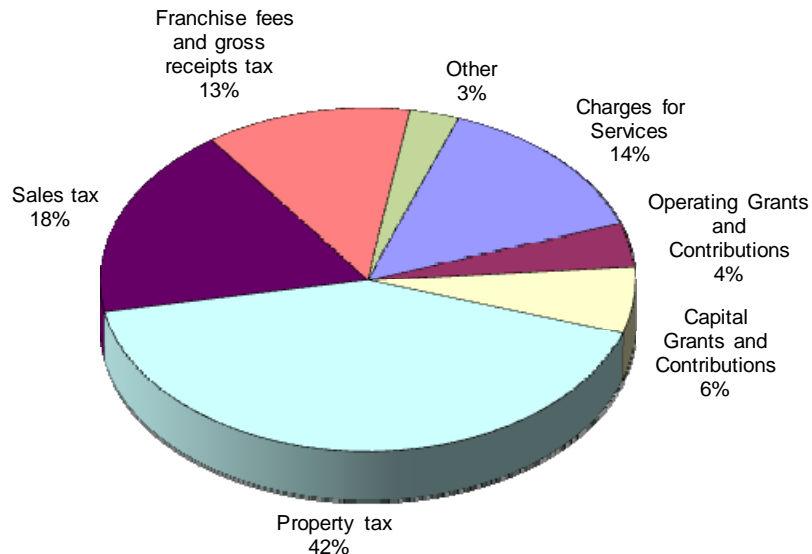
**Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)**



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

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

Government-wide Revenues by Source -- Governmental Activities



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

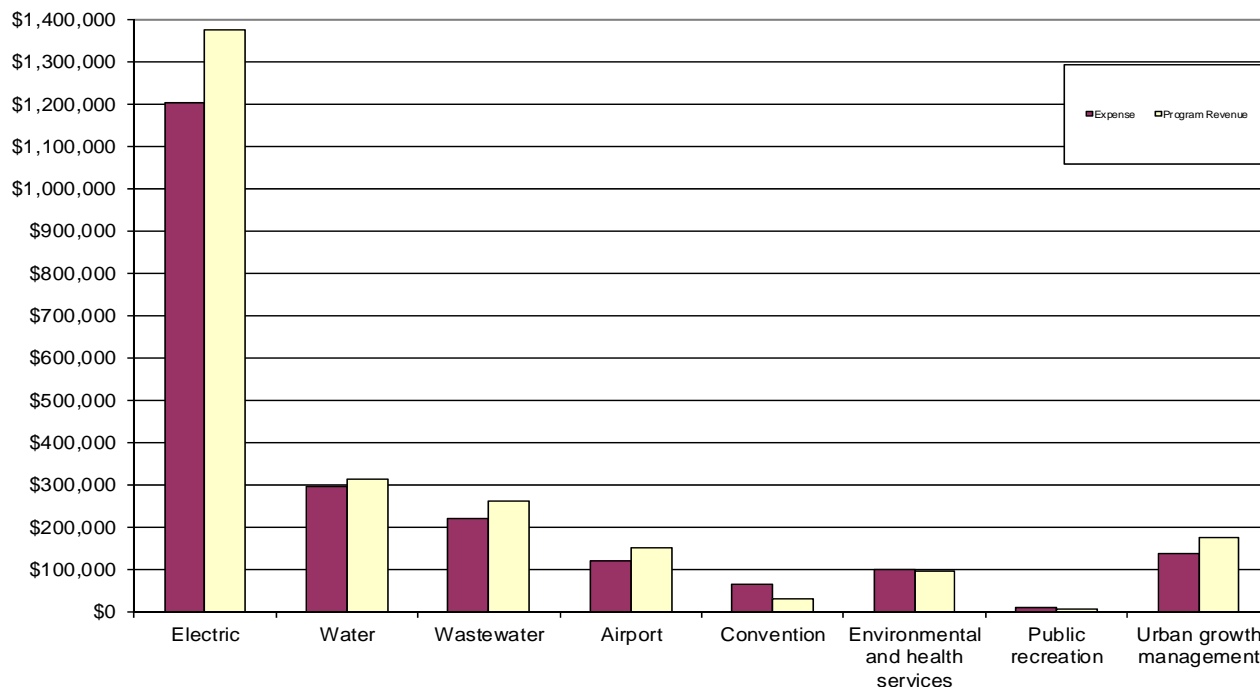
Business-type activities increased the City's net position by approximately \$202.2 million, accounting for a 6.3% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately \$72.6 million. Revenues stayed flat in fiscal year 2015. Expenses decreased 3.8% largely due to a decrease in power supply costs.
- Austin Water Utility net position increased approximately \$21.1 million. Revenues increase 12.3% largely due to a combined utility rate increase of 8.1% for FY15. Expenses increase by 13.2% due to an increase in expenses resulting from accounting for regulated operations.
- Airport net position increased approximately \$32.5 million. Revenues increased 12.8% due to an increase in passenger traffic and higher rental and landing fees. Passenger traffic continues to break records with a 12.4% increase over the previous year. Expenses increased 10.8% due to an increase in operating and maintenance costs.
- Convention Center net position increased approximately \$29 million. Revenues and transfers from the Hotel Occupancy and Vehicle Rental Tax Funds increased 14.2% due in part to the growth of several large events, including the Formula 1 event and South by Southwest. Expenses increased 11.7% due to an increase in operations and maintenance costs.
- Environmental and health services activities are comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position decreased approximately \$1.6 million. Revenues increased by 14% due mainly to an increase in the Clean Community Fee of \$0.75 per residential customer account and \$0.65 per commercial customer account. There was also an increase in the base fee of \$1.85 for both residential and commercial accounts. Expenses increased by 5% due mainly to an increase in operations and support services costs.
- Urban growth management activities are comprised of nonmajor enterprise funds that include the Drainage Fund and Transportation Fund. Net position increased by approximately \$41.6 million. Drainage revenues increased by 10.3% primarily due to a 6.5% increase in the monthly Drainage Utility Fee and residential growth. Drainage expenses increased 10.5% due to an increase in operations and support services costs. Transportation revenues increased approximately 7.4% primarily due to an increase in the Transportation User Fee of 5.75%. Transportation expenses increased 6.0% due to an increase in operations and support services costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

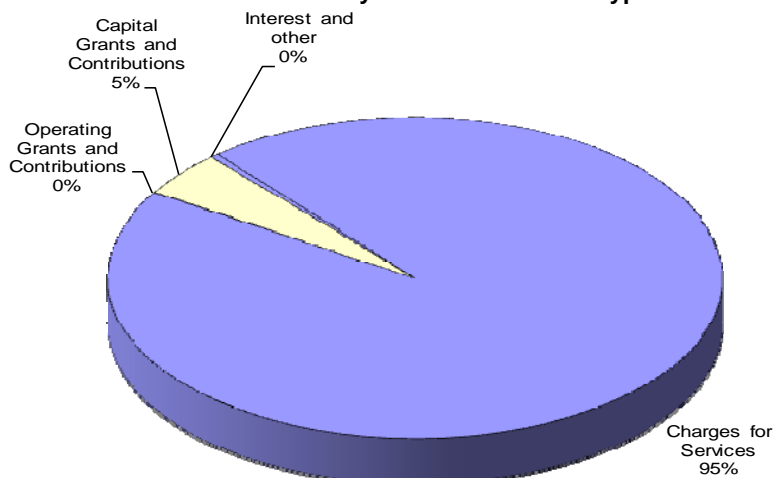
As shown in the following chart, Austin Energy (electric), with expenses of \$1.2 billion is the City's largest business-type activity, followed by water with \$294.6 million, wastewater with \$219.3 million, urban growth management with \$135.4 million, airport with \$120 million, environmental and health services with \$97.7 million, convention with \$65.7 million, and public recreation with \$8.8 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention, environmental and health services and public recreation.

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



For all business-type activities, charges for services provide the largest percentage of revenues (94.96%), followed by capital grants and contributions (4.57%), operating grants and contributions (0.04%), and interest and other revenues (0.43%).

Government-wide Revenue by Source -- Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

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

a -- Governmental funds

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

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of \$418.6 million, an increase of \$51 million from the previous year. Approximately \$2 million is nonspendable, \$176 million is restricted, \$40.2 million is committed, \$101.9 million is assigned, and \$98.5 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported nonspendable fund balance of \$0.9 million, assigned fund balance of \$26.1 million, and unassigned fund balance of \$150.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.1% of total General Fund expenditures of \$878.9 million, and total fund balance represents 20.2% of expenditures. The City's financial policies provide that surplus fund balance be identified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance identified for budget stabilization was \$100.2 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total identified amount, with the other two-thirds identified for budget stabilization in future years.

The fund balance of the General Fund decreased \$6.3 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased \$19.9 million due to an increase in assessed property values.
- Sales tax revenues increased \$14.6 million, and licenses, permits, and inspections increased \$5.3 million.
- Increase in public safety expenditures of \$41 million.
- Additionally, the City sold a piece of land for \$12 million, which is reported as a special item. See Note 1 for more details.

General Fund expenditures increased \$71.6 million, due primarily to an increase in public safety expenditures of \$41 million, an increase in general government of \$11.7 million, an increase in public recreation and culture of \$9.5 million, and an increase in public health of \$6.9 million. These increases are primarily due to the addition of 177 FTEs, a 3% general wage increase, and contractual expenses.

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by \$198.8 million before consolidation of the internal service funds activities.

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

OTHER INFORMATION

a -- General Fund budgetary highlights

The original revenue and expenditure budgets of the General Fund were not amended during the fiscal year 2015.

During the year, revenues were \$20 million more than budgeted. Tax collections were \$7.3 million more than budgeted; licenses, permits and inspections were \$9.4 million more than budgeted; and franchise fees were \$1.2 million more than budgeted.

Actual budget-basis expenditures were \$4.6 million less than budgeted. Fire exceeded budget by \$2.4 million and the Austin Public Library exceeded budget by \$24 thousand, while all other departments were under budget. The total budget-basis fund balance at year-end was \$180.1 million.

OTHER INFORMATION, continued

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2015, total \$10.2 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was \$229.3 million, with an increase of 3.7% for governmental activities and an increase of 1.8% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation and Amortization (in millions)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Building and improvements	\$ 550	570	1,649	1,121	2,199	1,691
Plant and equipment	77	81	2,306	2,287	2,383	2,368
Vehicles	47	46	82	73	129	119
Electric plant	--	--	2,219	2,201	2,219	2,201
Non-electric plant	--	--	138	135	138	135
Nuclear fuel	--	--	47	40	47	40
Water rights	--	--	84	85	84	85
Infrastructure	1,451	1,384	--	--	1,451	1,384
Land and improvements	368	363	594	555	962	918
Construction in progress	272	226	300	794	572	1,020
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	27	23	4	2	31	25
Total net capital assets	<u>\$ 2,792</u>	<u>2,693</u>	<u>7,446</u>	<u>7,316</u>	<u>10,238</u>	<u>10,009</u>

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

- Governmental capital assets increased \$99.2 million primarily due to additions of new facilities and improvements to existing facilities. Improvements to Auditorium Shores and renovations of City Hall were completed. Significant additions and improvements were also made including acquisitions of parkland, upgrades to information technology equipment, pedestrian facility improvements, and street reconstructions across the City. Construction on the new Central Library and Waller Creek Tunnel has been progressing.
- Business-type activities purchased or completed construction on capital assets of \$130.1 million. The increase was largely due to plant additions, plant improvements, and land acquisition for Austin Energy, Austin Water, the Airport Fund, and the Drainage Fund. Austin Energy increased the chilled water capacity of the Seaholm Development and Domain cooling system and provided service to new customers due to the City growth. Austin Water completed construction on Water Treatment Plant 4, worked on transmission mains in Martin Hill and Jollyville as well as along MoPac, made water and wastewater line improvements to North Acres, and relocated lines along SH 71. The Airport Fund expanded the east terminal and completed construction of a new taxiway. The Drainage Fund acquired properties at risk of flooding in Onion Creek and made improvements along Shoal Creek.

OTHER INFORMATION, continued

c -- Debt administration

At the end of the current fiscal year, the City reported \$6.2 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

**Outstanding Debt
General Obligation and Revenue Debt
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds and other tax supported debt, net	\$ 1,298	1,196	133	136	1,431	1,332
Commercial paper notes, net	--	--	200	241	200	241
Revenue bonds, net	--	--	4,601	4,299	4,601	4,299
Capital lease obligations	--	--	1	1	1	1
Total	\$ 1,298	1,196	4,935	4,677	6,233	5,873

During fiscal year 2015, the City's total outstanding debt increased by \$360.7 million. The City issued new debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased by \$102.7 million. The resulting net increase is a combination of the issuance of \$180 million in new debt to be used primarily for facility improvements, streets and signals, drainage improvements, watershed home buyouts, central library, Mueller public infrastructure improvements, capital equipment, transportation projects, and the Waller Creek Tunnel project offset by debt payments during the year.
- Outstanding debt for business-type functions increased by \$258 million. The City issued \$408.9 million of Electric Utility System separate lien revenue refunding bonds to refund separate lien debt and taxable commercial paper, \$289.1 million in Water and Wastewater System separate lien revenue refunding bonds to refund separate lien debt, and \$244.5 million in Airport prior lien revenue bonds.

During the year, Airport revenue bonds received a new bond rating from Moody's Investors Service of A1. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations; commercial paper ratings were unchanged in the current fiscal year. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2015 and 2014 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch, Inc.	
	2015	2014	2015	2014	2015	2014
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	P-1	P-1	A-1	A-1	F1	F1
Commercial paper notes - taxable	P-1	P-1	A-1	A-1	F1	F1
Utility revenue bonds - prior lien	Aa1	Aa1	AA	AA	AA	AA
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	A1	A1	AA-	AA-	AA-	AA-
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	A1	NUR (1)	A	A	NUR (1)	NUR(1)
Convention Center revenue bonds	Aa3	Aa3	AA-	AA-	NUR (1)	NUR(1)
Convention Center revenue bonds - subordinate	A1	A1	A	A	NUR (1)	NUR(1)

(1) No underlying rating

OTHER INFORMATION, continued

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

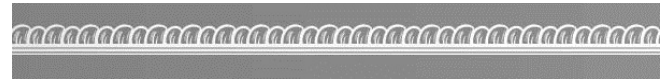
Austin's diverse economic base and national reputation as a great place to work and live continues to attract new employers and talented individuals. Both the Austin and the Texas economies continue to outpace the national economy. Partnerships between the City and the business community have been the key to Austin's economic success. The City's economic development efforts have been successful in attracting new firms and new jobs to Austin. As a result, employment growth is steady and expected to continue well ahead of national levels through at least 2017. All sectors of the real estate market are performing well including the hotel market with a number of new rooms either recently opened or under construction to meet increased demand resulting from both business travel and tourism. In 2015 sales taxes increased 7.7% following a 7.5% increase in 2014. While the rate of sales tax collections may slow over the next few years, it is expected to remain positive barring any events at the national or international level that would have an adverse impact.

The City's 2016 budget was developed in a manner true to the City Manager's unwavering commitment to openness, transparency, and public engagement. Input from City Council, City employees, and citizens played a major role in the development of a variety of structural applications designed to positively affect our City's fiscal sustainability over the long term and present a balanced budget for City Council's review. The Austin City Council has adopted a comprehensive set of financial policies to provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the Council's priority of budget stability while at the same time maintaining affordability and investing in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings. City management continues to monitor the economy and take corrective actions to help mitigate any unfavorable economic events.

The assessed taxable property values within the City increased by 12.5% in 2015 for fiscal year 2016. The property tax rate for fiscal year 2016 is 45.89 cents per \$100 valuation, down from 48.09 cents per \$100 valuation in 2015. The tax rate consists of 35.27 cents for the General Fund and 10.62 cents for debt service. Each 1 cent of the 2015 (Fiscal Year 2016) property tax rate is equivalent to \$11,100,886 of tax levy, as compared to \$9,865,218 in the previous year. In Fiscal Year 2016, Austin Water Utility will implement a 4.9% combined system-wide rate increase.

e -- Requests for Information

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



BASIC FINANCIAL STATEMENTS

Statement of Net Position
September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit A-1

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	\$ 64	61	125	4,869
Pooled investments and cash	395,444	511,576	907,020	--
Pooled investments and cash - restricted	135,130	178,686	313,816	--
Total pooled investments and cash	530,574	690,262	1,220,836	--
Investments, at fair value - restricted	20,550	177,379	197,929	--
Cash held by trustee - restricted	4,323	--	4,323	--
Investments held by trustee - restricted	1,590	--	1,590	--
Working capital advances	--	4,943	4,943	--
Property taxes receivable, net of allowance of \$5,166	13,233	--	13,233	--
Accounts receivable, net	103,733	255,702	359,435	4,154
Receivables from other governments	12,639	--	12,639	--
Receivables from other governments - restricted	--	4,124	4,124	--
Notes receivable, net of allowance of \$13,884	20,579	--	20,579	--
Internal balances	(30,753)	30,753	--	--
Inventories, at cost	2,235	87,169	89,404	952
Real property held for resale	5,940	--	5,940	--
Regulatory assets, net of accumulated amortization	--	46,682	46,682	--
Prepaid expenses	344	11,786	12,130	601
Other receivables - restricted	--	11,708	11,708	--
Other assets	3,492	19,206	22,698	--
Total current assets	688,543	1,339,775	2,028,318	10,576
Noncurrent assets:				
Cash - restricted	--	5,011	5,011	353
Pooled investments and cash - restricted	--	500,535	500,535	--
Investments, at fair value - restricted	--	248,479	248,479	55,042
Investments held by trustee - restricted	--	215,893	215,893	1,383
Interest receivable - restricted	--	657	657	--
Depreciable capital assets, net	2,125,720	6,525,511	8,651,231	190,244
Nondepreciable capital assets, net	666,675	920,574	1,587,249	7,555
Derivative instruments - energy risk management	--	5,605	5,605	--
Regulatory assets, net of accumulated amortization	--	661,540	661,540	--
Other long-term assets	1,488	7,021	8,509	5,762
Total noncurrent assets	2,793,883	9,090,826	11,884,709	260,339
Total assets	3,482,426	10,430,601	13,913,027	270,915
Deferred outflows of resources				
	\$ 167,627	313,209	480,836	19,050

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

(Continued)

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

Statement of Net Position
September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit A-1
(Continued)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 52,334	79,106	131,440	10,332
Accounts and retainage payable from restricted assets	5,403	30,503	35,906	--
Accrued payroll	21,994	12,387	34,381	220
Accrued compensated absences	60,644	24,565	85,209	--
Claims payable	22,611	--	22,611	--
Accrued interest payable from restricted assets	--	73,808	73,808	11,779
Interest payable on other debt	7,283	840	8,123	--
Bonds payable	52,956	16,979	69,935	42,967
Bonds payable from restricted assets	20,761	184,905	205,666	--
Capital lease obligations payable	--	49	49	23
Customer and escrow deposits payable from restricted assets	63,987	47,095	111,082	--
Accrued landfill closure and postclosure costs	--	1,549	1,549	--
Decommissioning liability payable from restricted assets	--	7,792	7,792	--
Other liabilities	16,584	9,590	26,174	--
Other liabilities payable from restricted assets	--	315	315	--
Total current liabilities	324,557	489,483	814,040	65,321
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	71,745	143	71,888	--
Claims payable	24,853	--	24,853	--
Capital appreciation bond interest payable	--	100,528	100,528	--
Commercial paper notes payable, net of discount	--	200,581	200,581	--
Bonds payable, net of discount and inclusive of premium	1,224,709	4,531,616	5,756,325	268,194
Net pension liability	844,086	445,809	1,289,895	--
Other postemployment benefits payable	484,854	292,845	777,699	--
Capital lease obligations payable	--	1,040	1,040	32
Accrued landfill closure and postclosure costs	--	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	175,216	175,216	--
Derivative instruments - energy risk management	--	51,751	51,751	--
Derivative instruments - interest rate swaps	--	70,334	70,334	--
Other liabilities	11,735	43,288	55,023	--
Other liabilities payable from restricted assets	--	485	485	--
Total noncurrent liabilities	2,661,982	5,923,535	8,585,517	268,226
Total liabilities	2,986,539	6,413,018	9,399,557	333,547
Deferred inflows of resources				
	1,464	904,455	905,919	--
NET POSITION				
Net investment in capital assets	1,645,359	2,223,964	3,869,323	(97,894)
Restricted for:				
Debt service	13,478	138,961	152,439	21,087
Strategic reserve	--	152,086	152,086	--
Capital projects	50,948	218,875	269,823	--
Renewal and replacement	--	10,857	10,857	--
Bond reserve	--	43,338	43,338	--
Passenger facility charges	--	61,085	61,085	--
Operating reserve	--	16,850	16,850	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,070	--	1,070	--
Housing activities	24,280	--	24,280	--
Tourism	19,193	--	19,193	--
Other purposes	25,014	--	25,014	--
Unrestricted (deficit)	(1,117,293)	560,321	(556,972)	33,225
Total net position	\$ 662,050	3,426,337	4,088,387	(43,582)

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

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

Statement of Activities
For the year ended September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Governmental activities								
General government	\$ 131,993	15,434	118	9,163	(107,278)	--	(107,278)	--
Public safety	601,112	65,221	5,814	--	(530,077)	--	(530,077)	--
Transportation, planning, and sustainability	77,349	5,006	657	55,742	(15,944)	--	(15,944)	--
Public health	85,326	10,351	19,173	--	(55,802)	--	(55,802)	--
Public recreation and culture	134,567	8,330	1,604	5,456	(119,177)	--	(119,177)	--
Urban growth management	135,386	56,366	18,104	123	(60,793)	--	(60,793)	--
Interest on debt	55,855	--	--	--	(55,855)	--	(55,855)	--
Total governmental activities	1,221,588	160,708	45,470	70,484	(944,926)	--	(944,926)	--
Business-type activities								
Electric	1,203,729	1,351,436	308	23,151	--	171,166	171,166	--
Water	294,624	277,180	--	34,922	--	17,478	17,478	--
Wastewater	219,320	239,811	--	21,869	--	42,360	42,360	--
Airport	120,015	142,353	610	8,405	--	31,353	31,353	--
Convention	65,657	28,657	--	--	--	(37,000)	(37,000)	--
Environmental and health services	97,690	96,622	41	11	--	(1,016)	(1,016)	--
Public recreation	8,824	5,736	--	470	--	(2,618)	(2,618)	--
Urban growth management	135,360	154,337	80	21,752	--	40,809	40,809	--
Total business-type activities	2,145,219	2,296,132	1,039	110,580	--	262,532	262,532	--
Total primary government	\$ 3,366,807	2,456,840	46,509	181,064	(944,926)	262,532	(682,394)	--
Component Units	84,820	91,466	150	--	--	--	--	6,796
General revenues:								
Property tax					476,439	--	476,439	--
Sales tax					204,029	--	204,029	--
Franchise fees and gross receipts tax					141,368	--	141,368	--
Interest and other					21,951	10,498	32,449	68
Special item - land sale					11,983	--	11,983	--
Transfers-internal activities					70,865	(70,865)	--	--
Total general revenues and transfers					926,635	(60,367)	866,268	68
Change in net position					(18,291)	202,165	183,874	6,864
Beginning net position, as restated (Note 18)					680,341	3,224,172	3,904,513	(50,446)
Ending net position					\$ 662,050	3,426,337	4,088,387	(43,582)

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

Governmental Funds
Balance Sheet
September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit B-1

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 53	--	53
Pooled investments and cash	168,905	226,535	395,440
Investments, at fair value	--	20,550	20,550
Cash held by trustee - restricted	--	2,778	2,778
Investments held by trustee - restricted	--	1,590	1,590
Property taxes receivable, net of allowance	9,080	4,153	13,233
Accounts receivable, net of allowance	61,489	36,680	98,169
Receivables from other governments	--	12,639	12,639
Notes receivable, net of allowance	--	20,579	20,579
Due from other funds	227	57,533	57,760
Advances to other funds	--	1,911	1,911
Inventories, at cost	766	--	766
Real property held for resale	--	5,940	5,940
Prepaid items	183	--	183
Other assets	176	3,316	3,492
Total assets	240,879	394,204	635,083
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Accounts payable	20,123	20,200	40,323
Accrued payroll	17,661	78	17,739
Accrued compensated absences	487	--	487
Due to other funds	210	57,759	57,969
Unearned revenue	--	5,052	5,052
Advances from other funds	1,062	779	1,841
Deposits and other liabilities	5,617	62,091	67,708
Total liabilities	45,160	145,959	191,119
Deferred inflows of resources	18,556	6,803	25,359
Fund balances			
Nonspendable:			
Inventories and prepaid items	949	--	949
Permanent funds	--	1,070	1,070
Restricted	--	175,977	175,977
Committed	--	40,196	40,196
Assigned	26,123	75,821	101,944
Unassigned	150,091	(51,622)	98,469
Total fund balances	177,163	241,442	418,605
Total liabilities, deferred inflows of resources, and fund balances	\$ 240,879	394,204	635,083

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

Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit B-1.1

Total fund balances - Governmental funds \$ 418,605

Amounts reported for governmental activities in the statement of
net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore,
are not reported in the funds.

Governmental capital assets	4,255,443	
Less: accumulated depreciation	<u>(1,525,261)</u>	
		2,730,182

Other long-term assets and certain revenues are not available as current-period
resources and are not reported in the funds.

Other assets	<u>1,488</u>	
		1,488

Deferred outflows represent the consumption of net assets that are applicable
to a future reporting period.

Deferred outflow of resources	<u>167,529</u>	
		167,529

Long-term liabilities are not payable in the current period and are not reported
in the funds.

Compensated absences	(122,728)	
Interest payable	(7,271)	
Bonds and other tax supported debt payable, net	(1,295,360)	
Net pension liability	(844,086)	
Other postemployment benefits payable	(484,854)	
Other liabilities	<u>(16,420)</u>	
		(2,770,719)

Deferred inflows is an acquisition of net assets that is applicable to a future
reporting period.

Unavailable revenue		
Property taxes and interest	13,265	
Accounts and other taxes receivable	12,094	
Service concession arrangements	<u>(1,463)</u>	
		23,896

Internal service funds are used by management to charge the costs of capital project
management, combined emergency communication center, employee benefits, fleet
maintenance, information systems, liability reserve, support services, wireless
communication, and workers' compensation to individual funds.

Certain assets, deferred outflows of resources, liabilities and deferred inflows of
resources of the internal service funds are included in governmental activities in
the statement of net position.

91,069

Total net position - Governmental activities	<u>\$ 662,050</u>
--	-------------------

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

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit B-2

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 358,259	116,445	474,704
Sales taxes	204,029	--	204,029
Franchise fees and other taxes	48,194	93,174	141,368
Fines, forfeitures and penalties	17,305	5,579	22,884
Licenses, permits and inspections	39,006	799	39,805
Charges for services/goods	58,297	28,279	86,576
Intergovernmental	--	62,622	62,622
Property owners' participation and contributions	--	12,763	12,763
Interest and other	11,831	9,686	21,517
Total revenues	736,921	329,347	1,066,268
EXPENDITURES			
Current:			
General government	100,561	1,661	102,222
Public safety	556,417	8,653	565,070
Transportation, planning and sustainability	4	7,028	7,032
Public health	61,504	19,126	80,630
Public recreation and culture	99,955	10,790	110,745
Urban growth management	60,428	56,484	116,912
Debt service:			
Principal	--	71,532	71,532
Interest	--	55,794	55,794
Fees and commissions	--	9	9
Capital outlay-capital project funds	--	186,870	186,870
Total expenditures	878,869	417,947	1,296,816
Deficiency of revenues over expenditures	(141,948)	(88,600)	(230,548)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	159,939	159,939
Bond premiums	--	20,093	20,093
Transfers in	153,936	85,730	239,666
Transfers out	(30,304)	(119,819)	(150,123)
Total other financing sources (uses)	123,632	145,943	269,575
Net change in fund balances, before special items	(18,316)	57,343	39,027
Special item - land sale (See Note 1)	11,983	--	11,983
Net change in fund balances	(6,333)	57,343	51,010
Fund balances at beginning of year	183,496	184,099	367,595
Fund balances at end of year	\$ 177,163	241,442	418,605

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

Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit B-2.1

Net change in fund balances - Governmental funds \$ 51,010

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	166,601	
Depreciation expense	(109,566)	
Loss on disposal of capital assets	<u>(1,692)</u>	55,343

Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.

Property taxes	1,735	
Charges for services	(562)	
Interest and other	(1,280)	
Capital assets contribution	<u>43,474</u>	43,367

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(180,032)	
Principal repayment on long-term debt	<u>71,532</u>	(108,500)

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Compensated absences	61	
Pension expense	(8,752)	
Other postemployment benefits	(49,591)	
Interest and other	<u>612</u>	(57,670)

A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities. (1,841)

Change in net position - Governmental activities	<u>\$ (18,291)</u>
--	--------------------

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

Proprietary Funds
Statement of Net Position
September 30, 2015
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
ASSETS			
Current assets:			
Cash	\$ 21	5	3
Pooled investments and cash	249,666	51,829	8,351
Pooled investments and cash - restricted	57,335	74,892	8,929
Total pooled investments and cash	307,001	126,721	17,280
Investments, at fair value - restricted	64,666	80,134	22,147
Cash held by trustee - restricted	--	--	--
Working capital advances	4,943	--	--
Accounts receivable, net of allowance	156,934	73,722	4,421
Receivables from other governments-restricted	4,124	--	--
Due from other funds	1,130	301	--
Inventories, at cost	80,649	2,154	1,832
Regulatory assets, net of accumulated amortization	40,674	6,008	--
Prepaid expenses	11,669	19	23
Other receivables - restricted	8,520	123	1,324
Other assets	19,206	--	--
Total current assets	699,537	289,187	47,030
Noncurrent assets:			
Cash - restricted	5,011	--	--
Pooled investments and cash - restricted	25,349	50,074	425,112
Advances to other funds	18,690	2,705	--
Advances to other funds - restricted	--	--	51
Investments, at fair value - restricted	162,088	58,421	14,665
Investments held by trustee - restricted	205,108	10,785	--
Interest receivable - restricted	657	--	--
Depreciable capital assets, net	2,410,738	3,165,603	575,345
Nondepreciable capital assets	193,030	351,566	113,626
Derivative instruments - energy risk management	5,605	--	--
Regulatory assets, net of accumulated amortization	392,177	269,363	--
Other long-term assets	7,021	--	--
Total noncurrent assets	3,425,474	3,908,517	1,128,799
Total assets	4,125,011	4,197,704	1,175,829
Deferred outflows of resources	\$ 117,484	99,214	47,973

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

	Business-Type Activities		Governmental Activities-
	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash	32	61	11
Pooled investments and cash	201,730	511,576	132,628
Pooled investments and cash - restricted	37,530	178,686	2,506
Total pooled investments and cash	239,260	690,262	135,134
Investments, at fair value - restricted	10,432	177,379	--
Cash held by trustee - restricted	--	--	1,545
Working capital advances	--	4,943	--
Accounts receivable, net of allowance	20,625	255,702	5,564
Receivables from other governments-restricted	--	4,124	--
Due from other funds	1,231	2,662	681
Inventories, at cost	2,534	87,169	1,469
Regulatory assets, net of accumulated amortization	--	46,682	--
Prepaid expenses	75	11,786	161
Other receivables - restricted	1,741	11,708	--
Other assets	--	19,206	--
Total current assets	275,930	1,311,684	144,565
Noncurrent assets:			
Cash - restricted	--	5,011	--
Pooled investments and cash - restricted	--	500,535	--
Advances to other funds	--	21,395	71
Advances to other funds - restricted	437	488	--
Investments, at fair value - restricted	13,305	248,479	--
Investments held by trustee - restricted	--	215,893	--
Interest receivable - restricted	--	657	--
Depreciable capital assets, net	373,825	6,525,511	61,707
Nondepreciable capital assets	262,352	920,574	506
Derivative instruments - energy risk management	--	5,605	--
Regulatory assets, net of accumulated amortization	--	661,540	--
Other long-term assets	--	7,021	--
Total noncurrent assets	649,919	9,112,709	62,284
Total assets	925,849	10,424,393	206,849
Deferred outflows of resources	48,538	313,209	98

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2015
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 68,026	4,685	2,446
Accounts and retainage payable from restricted assets	7,725	12,329	7,186
Accrued payroll	5,122	2,686	873
Accrued compensated absences	10,257	5,472	1,949
Claims payable	--	--	--
Due to other funds	--	--	153
Due to other funds payable from restricted assets	--	441	--
Accrued interest payable from restricted assets	24,558	41,814	5,997
Interest payable on other debt	93	41	--
Bonds payable	--	--	24
Bonds payable from restricted assets	65,254	89,560	18,351
Capital lease obligations payable	49	--	--
Customer and escrow deposits payable from restricted assets	29,316	11,005	866
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	7,792	--	--
Other liabilities	4,847	2,068	2,675
Other liabilities payable from restricted assets	--	--	--
Total current liabilities	223,039	170,101	40,520
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	--	--
Claims payable	--	--	--
Advances from other funds	--	1,373	821
Advances from other funds payable from restricted assets	--	16,587	--
Capital appreciation bond interest payable	5,681	94,847	--
Commercial paper notes payable, net of discount	32,046	168,535	--
Bonds payable, net of discount and inclusive of premium	1,345,918	2,374,264	547,828
Net pension liability	190,289	100,759	30,903
Other postemployment benefits payable	115,660	75,008	19,737
Capital lease obligations payable	1,040	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	175,216	--	--
Derivative instruments - energy risk management	51,751	--	--
Derivative instruments - interest rate swaps	--	21,597	34,229
Other liabilities	40,379	--	--
Other liabilities payable from restricted assets	--	--	11
Total noncurrent liabilities	1,957,980	2,852,970	633,529
Total liabilities	2,181,019	3,023,071	674,049
Deferred inflows of resources	\$ 306,478	597,647	--

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

(Continued)

	Business-Type Activities		Governmental
	Nonmajor		Activities-
	Enterprise		Internal Service
	Funds	Total	Funds
LIABILITIES			
Current liabilities:			
Accounts payable	3,949	79,106	17,414
Accounts and retainage payable from restricted assets	3,263	30,503	--
Accrued payroll	3,706	12,387	4,255
Accrued compensated absences	6,887	24,565	8,957
Claims payable	--	--	22,611
Due to other funds	1,870	2,023	670
Due to other funds payable from restricted assets	--	441	--
Accrued interest payable from restricted assets	1,439	73,808	--
Interest payable on other debt	706	840	12
Bonds payable	16,955	16,979	369
Bonds payable from restricted assets	11,740	184,905	--
Capital lease obligations payable	--	49	--
Customer and escrow deposits payable from restricted assets	5,908	47,095	--
Accrued landfill closure and postclosure costs	1,549	1,549	--
Decommissioning liability payable from restricted assets	--	7,792	--
Other liabilities	--	9,590	3,126
Other liabilities payable from restricted assets	315	315	--
Total current liabilities	58,287	491,947	57,414
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	143	143	217
Claims payable	--	--	24,853
Advances from other funds	3,243	5,437	--
Advances from other funds payable from restricted assets	--	16,587	--
Capital appreciation bond interest payable	--	100,528	--
Commercial paper notes payable, net of discount	--	200,581	--
Bonds payable, net of discount and inclusive of premium	263,606	4,531,616	2,697
Net pension liability	123,858	445,809	--
Other postemployment benefits payable	82,440	292,845	--
Capital lease obligations payable	--	1,040	--
Accrued landfill closure and postclosure costs	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	175,216	--
Derivative instruments - energy risk management	--	51,751	--
Derivative instruments - interest rate swaps	14,508	70,334	--
Other liabilities	2,909	43,288	--
Other liabilities payable from restricted assets	474	485	--
Total noncurrent liabilities	501,080	5,945,559	27,767
Total liabilities	559,367	6,437,506	85,181
Deferred inflows of resources	330	904,455	1

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2015
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
NET POSITION			
Net investment in capital assets	\$ 1,035,734	492,169	328,440
Restricted for:			
Debt service	40,108	38,320	50,346
Strategic reserve	152,086	--	--
Capital projects	61,824	26,435	115,148
Renewal and replacement	64	--	10,000
Bond reserve	10,002	20,584	2,441
Passenger facility charges	--	--	61,085
Operating reserve	--	--	12,212
Unrestricted	455,180	98,692	(29,919)
Total net position	\$ 1,754,998	676,200	549,753
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	13,188	7,781	2,376
Total net position - Business-type activities	\$ 1,768,186	683,981	552,129

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

(Continued)

	Business-Type Activities		Governmental
	Nonmajor		Activities-
	Enterprise		Internal Service
	Funds	Total	Funds
NET POSITION			
Net investment in capital assets	367,621	2,223,964	59,147
Restricted for:			
Debt service	10,187	138,961	--
Strategic reserve	--	152,086	--
Capital projects	15,468	218,875	2,506
Renewal and replacement	793	10,857	--
Bond reserve	10,311	43,338	--
Passenger facility charges	--	61,085	--
Operating reserve	4,638	16,850	--
Unrestricted	5,672	529,625	60,112
Total net position	414,690	3,395,641	121,765
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	7,351	30,696	
Total net position - Business-type activities	422,041	3,426,337	

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

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2015
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
OPERATING REVENUES			
Utility services	\$ 1,351,436	516,991	--
User fees and rentals	--	--	119,969
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,351,436	516,991	119,969
OPERATING EXPENSES			
Operating expenses before depreciation	993,793	221,724	80,182
Depreciation and amortization	152,544	115,271	20,690
Total operating expenses	1,146,337	336,995	100,872
Operating income (loss)	205,099	179,996	19,097
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	8,127	434	1,225
Interest on revenue bonds and other debt	(55,680)	(111,030)	(18,924)
Interest capitalized during construction	--	--	1,284
Passenger facility charges	--	--	22,384
Cost (recovered) to be recovered in future years	12,276	(71,466)	--
Other nonoperating revenue (expense)	(13,696)	4,608	(686)
Total nonoperating revenues (expenses)	(48,973)	(177,454)	5,283
Income (loss) before contributions and transfers	156,126	2,542	24,380
Capital contributions	23,151	57,530	8,405
Transfers in	7,133	31	--
Transfers out	(113,770)	(39,979)	(52)
Change in net position	72,640	20,124	32,733
Total net position - beginning, as restated (See Note 18)	1,682,358	656,076	517,020
Total net position - ending	\$ 1,754,998	676,200	549,753
Reconciliation to government-wide Statement of Activities			
Change in net position	72,640	20,124	32,733
Adjustment to consolidate internal service activities	16	939	(207)
Change in net position - Business-type activities	\$ 72,656	21,063	32,526

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

	Business-Type Activities		Governmental Activities-Internal Service Funds
	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES			
Utility services	--	1,868,427	--
User fees and rentals	285,352	405,321	--
Billings to departments	--	--	391,531
Employee contributions	--	--	36,602
Operating revenues from other governments	--	--	4,746
Other operating revenues	--	--	7,259
Total operating revenues	285,352	2,273,748	440,138
OPERATING EXPENSES			
Operating expenses before depreciation	271,270	1,566,969	411,932
Depreciation and amortization	29,572	318,077	11,214
Total operating expenses	300,842	1,885,046	423,146
Operating income (loss)	(15,490)	388,702	16,992
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	712	10,498	224
Interest on revenue bonds and other debt	(9,775)	(195,409)	(61)
Interest capitalized during construction	1,717	3,001	--
Passenger facility charges	--	22,384	--
Cost (recovered) to be recovered in future years	--	(59,190)	--
Other nonoperating revenue (expense)	(1,245)	(11,019)	(7,962)
Total nonoperating revenues (expenses)	(8,591)	(229,735)	(7,799)
Income (loss) before contributions and transfers	(24,081)	158,967	9,193
Capital contributions	23,616	112,702	9,005
Transfers in	78,182	85,346	8,213
Transfers out	(4,450)	(158,251)	(24,851)
Change in net position	73,267	198,764	1,560
Total net position - beginning, as restated (See Note 18)	341,423	3,196,877	120,205
Total net position - ending	414,690	3,395,641	121,765
Reconciliation to government-wide Statement of Activities			
Change in net position	73,267	198,764	
Adjustment to consolidate internal service activities	2,653	3,401	
Change in net position - Business-type activities	75,920	202,165	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2015
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,384,809	503,457	119,427
Cash received from other funds	33,256	8,173	--
Cash payments to suppliers for goods and services	(680,671)	(43,315)	(19,586)
Cash payments to other funds	(43,821)	(67,936)	(23,772)
Cash payments to employees for services	(183,923)	(98,217)	(31,420)
Cash payments to claimants/beneficiaries	--	--	--
Taxes collected and remitted to other governments	(43,655)	--	--
Net cash provided by operating activities	465,995	302,162	44,649
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	7,127	--	--
Transfers out	(113,770)	(39,979)	--
Contributions (to) from other funds	--	(83)	--
Loans from other funds	--	--	--
Loan repayments to other funds	--	(506)	(178)
Loan repayments from other funds	753	301	7
Collections from other governments	2,165	1,771	(414)
Net cash provided (used) by noncapital financing activities	(103,725)	(38,496)	(585)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	58,290	93,535	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	908	--
Proceeds from the sale of revenue bonds	--	--	244,495
Principal paid on long-term debt	(48,915)	(100,750)	(16,710)
Proceeds from the sale of capital assets	1,158	4,100	606
Interest paid on revenue bonds and other debt	(59,264)	(120,323)	(14,374)
Passenger facility charges	--	--	22,384
Acquisition and construction of capital assets	(171,061)	(112,660)	(57,402)
Contributions from state and federal governments	--	--	7,810
Contributions in aid of construction	16,586	24,188	595
Bond issuance costs	(2,736)	(2,291)	(1,903)
Bond premiums	45,023	35,224	29,172
Bonds issued for advanced refundings of debt	408,890	289,145	--
Cash paid for bond refunding escrow	(258,434)	(326,497)	--
Cash paid to payoff commercial paper	(192,700)	--	--
Cash paid for nuclear fuel inventory	(25,140)	--	--
Net cash provided (used) by capital and related financing activities	\$ (228,303)	(215,421)	214,673

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	283,720	2,291,413	47,057
Cash received from other funds	3,859	45,288	391,530
Cash payments to suppliers for goods and services	(64,601)	(808,173)	(84,711)
Cash payments to other funds	(58,076)	(193,605)	(14,850)
Cash payments to employees for services	(133,428)	(446,988)	(153,878)
Cash payments to claimants/beneficiaries	--	--	(151,002)
Taxes collected and remitted to other governments	--	(43,655)	--
Net cash provided by operating activities	31,474	844,280	34,146
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	78,182	85,309	7,884
Transfers out	(4,353)	(158,102)	(24,634)
Contributions (to) from other funds	89	6	--
Loans from other funds	175	175	--
Loan repayments to other funds	(639)	(1,323)	(15)
Loan repayments from other funds	151	1,212	--
Collections from other governments	(1,317)	2,205	--
Net cash provided (used) by noncapital financing activities	72,288	(70,518)	(16,765)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	151,825	--
Proceeds from the sale of general obligation bonds and other tax supported debt	16,860	17,768	--
Proceeds from the sale of revenue bonds	--	244,495	--
Principal paid on long-term debt	(29,317)	(195,692)	(352)
Proceeds from the sale of capital assets	--	5,864	--
Interest paid on revenue bonds and other debt	(10,925)	(204,886)	(154)
Passenger facility charges	--	22,384	--
Acquisition and construction of capital assets	(78,441)	(419,564)	(15,031)
Contributions from state and federal governments	--	7,810	--
Contributions in aid of construction	21,173	62,542	--
Bond issuance costs	(156)	(7,086)	--
Bond premiums	2,441	111,860	--
Bonds issued for advanced refundings of debt	--	698,035	--
Cash paid for bond refunding escrow	--	(584,931)	--
Cash paid to payoff commercial paper	--	(192,700)	--
Cash paid for nuclear fuel inventory	--	(25,140)	--
Net cash provided (used) by capital and related financing activities	(78,365)	(307,416)	(15,537)

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2015
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	\$ (217,091)	(212,895)	(51,184)
Proceeds from sale and maturities of investment securities	158,057	222,978	32,961
Interest on investments	3,031	434	1,218
Net cash provided (used) by investing activities	(56,003)	10,517	(17,005)
Net increase (decrease) in cash and cash equivalents	77,964	58,762	241,732
Cash and cash equivalents, October 1	259,418	118,038	200,663
Cash and cash equivalents, September 30	337,382	176,800	442,395
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	205,099	179,996	19,097
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	152,544	114,283	20,690
Amortization	--	988	--
Change in assets and liabilities:			
Decrease in working capital advances	(341)	--	--
(Increase) decrease in accounts receivable	21,661	(7,200)	(809)
Increase in allowance for doubtful accounts	(1,168)	(90)	180
Decrease in due from other funds	--	--	--
(Increase) decrease in inventory	(5,920)	(229)	(99)
(Increase) decrease in prepaid expenses and other assets	(8,594)	(2)	(23)
Increase in deferred outflows related to operations	(18,330)	(9,733)	(3,013)
Decrease in advances to other funds	--	--	--
Decrease in other long-term assets	15,536	--	--
Increase (decrease) in accounts payable	1,034	187	658
Increase in accrued payroll and compensated absences	945	533	335
Increase in claims payable	--	932	--
Increase in advances from other funds	--	--	--
Increase in net pension liability	22,528	12,088	3,673
Increase in other postemployment benefits payable	11,313	11,062	2,528
Increase (decrease) in other liabilities	4,129	(1,650)	1,345
Increase in customer deposits	2,021	997	87
Decrease in deferred inflows related to operations	63,538	--	--
Total adjustments	260,896	122,166	25,552
Net cash provided by operating activities	\$ 465,995	302,162	44,649

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

(Continued)

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(17,989)	(499,159)	--
Proceeds from sale and maturities of investment securities	18,130	432,126	--
Interest on investments	712	5,395	224
Net cash provided (used) by investing activities	853	(61,638)	224
Net increase (decrease) in cash and cash equivalents	26,250	404,708	2,068
Cash and cash equivalents, October 1	213,042	791,161	134,622
Cash and cash equivalents, September 30	239,292	1,195,869	136,690
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(15,490)	388,702	16,992
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	29,572	317,089	11,214
Amortization	--	988	--
Change in assets and liabilities:			
Decrease in working capital advances	--	(341)	--
(Increase) decrease in accounts receivable	1,374	15,026	(2,099)
Increase in allowance for doubtful accounts	(211)	(1,289)	--
Decrease in due from other funds	--	--	(670)
(Increase) decrease in inventory	398	(5,850)	24
(Increase) decrease in prepaid expenses and other assets	(29)	(8,648)	17
Increase in deferred outflows related to operations	(9,476)	(40,552)	32
Decrease in advances to other funds	--	--	44
Decrease in other long-term assets	--	15,536	--
Increase (decrease) in accounts payable	(1,845)	34	2,257
Increase in accrued payroll and compensated absences	1,288	3,101	1,054
Increase in claims payable	--	932	3,658
Increase in advances from other funds	--	--	670
Increase in net pension liability	11,965	50,254	--
Increase in other postemployment benefits payable	12,940	37,843	--
Increase (decrease) in other liabilities	(76)	3,748	953
Increase in customer deposits	1,064	4,169	--
Decrease in deferred inflows related to operations	--	63,538	--
Total adjustments	46,964	455,578	17,154
Net cash provided by operating activities	31,474	844,280	34,146

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2015
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	\$ (675)	(9,462)	--
Capital assets contributed from other funds	--	834	--
Capital assets contributed to other funds	--	(95)	--
Contributed facilities	--	32,508	--
(Increase) decrease in the fair value of investments	109	--	--
Amortization of bond (discounts) premiums	5,269	10,598	902
Amortization of gain/loss on refundings	(6,771)	(5,829)	(890)
Loss on disposal of assets	(7,397)	(861)	--
Costs (recovered) to be recovered	12,276	(71,466)	--
Transfers (to) from other funds	6	31	(52)
Capitalized interest	--	--	1,284

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

(Continued)

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Nonmajor</u>		<u>Activities-</u>
	<u>Enterprise</u>		<u>Internal Service</u>
	<u>Funds</u>	<u>Total</u>	<u>Funds</u>
NONCASH INVESTING, CAPITAL AND FINANCING			
ACTIVITIES:			
Capital appreciation bonds interest accreted	--	(10,137)	--
Capital assets contributed from other funds	2,443	3,277	9,005
Capital assets contributed to other funds	(102)	(197)	--
Contributed facilities	--	32,508	--
(Increase) decrease in the fair value of investments	--	109	--
Amortization of bond (discounts) premiums	2,147	18,916	106
Amortization of gain/loss on refundings	(1,136)	(14,626)	(32)
Loss on disposal of assets	(1,459)	(9,717)	(7,962)
Costs (recovered) to be recovered	--	(59,190)	--
Transfers (to) from other funds	(97)	(112)	112
Capitalized interest	1,717	3,001	--

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

Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit D-1

	Private-purpose	
	Trust	Agency
ASSETS		
Pooled investments and cash	\$ 2,179	2,503
Other assets	121	--
Total assets	<u>2,300</u>	<u>2,503</u>
LIABILITIES		
Accounts payable	9	--
Due to other governments	--	1,885
Deposits and other liabilities	1,260	618
Total liabilities	<u>1,269</u>	<u>2,503</u>
NET POSITION		
Held in trust	1,031	
Total net position	<u>\$ 1,031</u>	

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

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended September 30, 2015
(In thousands)

City of Austin, Texas
Exhibit D-2

	<u>Private-Purpose Trust</u>
ADDITIONS	
Contributions	\$ 1,569
Interest and other	4
Total additions	<u>1,573</u>
 DEDUCTIONS	
Benefit payments	<u>1,276</u>
Total deductions	<u>1,276</u>
Net additions (deductions)	297
 Total net position - beginning	<u>734</u>
Total net position - ending	<u><u>\$ 1,031</u></u>

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The City Council is composed of a Mayor who is elected at large and ten Councilmembers who are elected by geographic district.

A change in governance affecting Council size, composition, and term duration was approved by the voters with the passage of a charter amendment in November 2012. The first election for this new governance structure was held in November 2014 and the new Council took office on January 6, 2015. Under the new structure, these elected officials serve four-year staggered terms subject to a maximum of two consecutive terms. Currently half of the Councilmembers are serving a two-year term as a part of the transition to the new governance structure. Prior to January 2015 City Council consisted of a Mayor and six members all of whom were elected at large and served staggered three-year terms. A petition signed by 5% of the registered voters waives the term limit for a Councilmember.

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

The City of Austin's charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 71. In fiscal year 2015, the City implemented the following GASB Statements:

GASB Statement	Impact
68 – <i>“Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27”</i>	This is a companion statement to GASB 67 <i>“Financial Reporting for Pension Plans an amendment to GASB Statement No. 25”</i> which was directed to and implemented by the City's pension plans. GASB Statement No. 68 requires governments offering defined benefit pension plans to recognize as an expense and a liability today, future pension obligations for existing employees and retirees which are in excess of pension plan assets. In addition it allows deferral of certain pension expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information.
69 – <i>“Government Combinations and Disposal of Government Operations”</i>	The implementation of this standard had little impact on the amounts reported in the financial statements.
71 – <i>“Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68”</i>	This statement, which clarifies rules related to the accrual of deferred inflows and outflows of resources at the beginning of the period in which GASB 68 is effective, was implemented in conjunction with GASB 68.

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

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

a -- Reporting Entity

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

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

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

<u>Blended Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
The Austin Housing Finance Corporation (AHFC)	<p>AHFC was created in 1979 as a public, nonprofit corporation and instrumentality of the City under the provisions of the Texas Housing Finance Corporation Act, Chapter 394, and Local Government Code. The mission of the AHFC is to generate and implement strategic housing solutions for the benefit of low- and moderate- income residents of the City. AHFC is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit.</p> <p>Reporting Fund: Housing Assistance Fund, a nonmajor special revenue fund</p>
Austin Industrial Development Corporation (AIDC)	<p>AIDC was created under the Texas Development Corporation Act of 1979 to provide a means of extending tax-exempt financing to projects that are deemed to have substantial social benefit through the creation of commercial, industrial, and manufacturing enterprises, in order to promote and encourage employment in the City. The Austin City Council acts as the board of directors of the corporation. In addition, City management has operational responsibilities for this component unit.</p> <p>Reporting Fund: Austin Industrial Development Corporation Fund, a nonmajor special revenue fund</p>
Mueller Local Government Corporation (MLGC)	<p>MLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. MLGC was created for the purpose of financing infrastructure projects required for the development of the former site of Mueller Airport. The Austin City Council acts as the board of directors of the corporation. Members of the City staff serve as officers of the corporation and have operational responsibilities for this component unit.</p> <p>Reporting Fund: Mueller Local Government Corporation, a nonmajor special revenue fund</p>
Urban Renewal Agency (URA)	<p>URA was created by the City under Chapter 374 of the Texas Local Government Code. The Mayor, with consent of the City Council, appoints the board of commissioners for this agency, whose primary responsibility is to oversee the implementation and compliance of urban renewal plans adopted by the City Council. An Urban Renewal Plan's primary purpose is to eliminate slum and blighting influence within a designated area of the city. Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City.</p> <p>Reporting Fund: Urban Renewal Agency fund, a nonmajor special revenue fund</p>
Austin-Bergstrom International Airport (ABIA) Development Corporation	<p>ABIA Development Corporation is governed by a board composed of the City Council. The entity has no day-to-day operations. Its existence relates only to the authorization for issuance of industrial revenue bonds or to other similar financing arrangements in accordance with the Texas Development Corporation Act of 1979. To date, none of the bonds issued constitute a liability of ABIA Development Corporation or the City of Austin. In addition, City management has operational responsibilities for this component unit.</p> <p>There is no financial activity to report related to this component unit.</p>

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

Discretely Presented Component Units – Following are the City's discretely presented component units. See Note 17 for additional information. Financial statements for these entities can be requested from the addresses located below.

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) 2716 Spirit of Texas Drive Austin, TX 78719	ABLE is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ABLE does not constitute a debt or pledge of the faith and credit of the City.
Austin Convention Enterprises, Inc. (ACE) 500 East 4th Street Austin, TX 78701	ACE is a legally separate entity that owns, operates, and finances the Austin Convention Center Hotel. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ACE does not constitute a debt or pledge of the faith and credit of the City.
Waller Creek Local Government Corporation (WCLGC) 124 W. 8 th Street Austin, TX 78701	WCLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of WCLGC is implementing the financing, design, construction, maintenance and operation of certain public improvements located within or around the Waller Creek Redevelopment Project district. The Austin City Council appoints a voting majority of the board of directors of the WCLGC and maintains a contractual ability to remove board members at will.

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

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

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

b -- Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental fund:

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

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

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

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

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

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

The City reports the following major enterprise funds:

Austin Energy™: Accounts for the activities of the City-owned electric utility.

Austin Water Utility: Accounts for the activities of the City-owned water and wastewater utility.

Airport Fund: Accounts for the operations of the Austin-Bergstrom International Airport (ABIA).

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

Convention: Accounts for convention center and public events activities.

Environmental and health services: Accounts for solid waste services activities.

Public recreation: Accounts for golf activities.

Urban growth management: Accounts for drainage and transportation activities.

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

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

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

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

d -- Budget

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

Annual budgets are legally adopted for the General Fund, certain special revenue funds, and debt service funds. Additional information related to special revenue funds with legally adopted budgets can be found in Exhibit E-13. Annual budgets are also adopted for enterprise and internal service funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the projects, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment. Certain payroll accruals, employee training, and other fund-level expenditures are budgeted as general city responsibilities.

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

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

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

Pooled Investments and Cash -- Cash balances of all city funds (except for certain funds shown in Note 3 as having non-pooled investments) are pooled and invested. 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 carry a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments -- Certain investments are required to be reported at fair value, 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 in U.S. government and agency debt securities and money market mutual funds at fair value as of September 30, 2015. Investments in local government investment pools are carried at net asset value per share calculated using the amortized cost method which approximates fair value.

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net position, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2015 (in thousands):

	Charges for Services	Fines	Taxes	Other Govern- ments	Other	Total
Governmental activities						
General Fund	\$ 231,187	18,753	44,933	--	--	294,873
Nonmajor governmental funds	2,061	--	27,705	4,218	2,708	36,692
Internal service funds	5,564	--	--	--	--	5,564
Allowance for doubtful accounts	(225,449)	(7,935)	--	(12)	--	(233,396)
Total	<u>\$ 13,363</u>	<u>10,818</u>	<u>72,638</u>	<u>4,206</u>	<u>2,708</u>	<u>103,733</u>

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

	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total
Accounts Receivable	\$ 167,493	77,184	5,841	23,145	273,663
Allowance for doubtful accounts	(10,559)	(3,462)	(1,420)	(2,520)	(17,961)
Total	<u>\$ 156,934</u>	<u>73,722</u>	<u>4,421</u>	<u>20,625</u>	<u>255,702</u>

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

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

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

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

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

Fund	Inventory Valuation Method
General Fund	Average cost; postage first-in, first out
Austin Energy	
Fuel oil	Last-in, first-out
Other inventories	Average cost
All others	Average cost

Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued. Inventories reported in the General Fund are offset by an equal amount in nonspendable fund balance, which indicates that they do not represent "available spendable resources."

Restricted Assets -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since Austin Energy and Austin Water Utility report in accordance with accounting for regulated operations, enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

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

	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	\$ 61,824	124,924	315,731	19,586	522,065
Customer and escrow deposits	29,316	10,950	866	5,606	46,738
Debt service	64,666	80,134	56,345	11,740	212,885
Environmental and landfill	--	--	--	282	282
Federal grants	9,135	--	1,324	1,670	12,129
Operating reserve account	--	--	12,212	10,132	22,344
Passenger facility charge account	--	--	61,085	--	61,085
Plant decommissioning	205,765	--	--	--	205,765
Renewal and replacement account	64	--	10,000	1,124	11,188
Revenue bond reserve	10,002	58,421	14,665	13,305	96,393
Strategic reserve	152,086	--	--	--	152,086
	\$ 532,858	274,429	472,228	63,445	1,342,960

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

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

Interest is not capitalized on governmental capital assets. Enterprise funds, with the exception of the Austin Energy and Austin Water Utility, capitalize interest paid on long-term debt 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. Interest is not capitalized on Austin Energy and Austin Water Utility assets in accordance with accounting for regulated operations.

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

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

Assets	Business-type Activities				
	Governmental Activites (1)	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise
Buildings and improvements	5-40	--	15-50	15-40	12-40
Plant and equipment	5-50	--	5-60	4-50	5-40
Vehicles	3-20	3-15	3-20	3-20	3-30
Electric plant	--	3-50	--	--	--
Non-electric plant	--	3-30	--	--	--
Communication equipment	7-15	--	7	7	7
Furniture and fixtures	12	--	12	12	12
Computers and EDP equipment	3-7	--	3-7	3-7	3-7
Nuclear fuel	--	(2)	--	--	--
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds

(2) Nuclear fuel is amortized over units of production

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

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

Water rights represent the amortized cost of a \$100 million contract, net of accumulated amortization, of \$15.8 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

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

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

Deferred Outflows (Inflows) of Resources -- Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net assets that have a negative effect on net position, similar to liabilities.

The following chart reflects the activities included in deferred inflows and outflows (in thousands).

Activities	Category and explanation	Deferred Outflows	Deferred Inflows
Derivative instruments	Deferred outflows or inflows. Derivative instruments are reported in the statement of net position at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred outflows or inflows in the statement of net position, as an offset to the related hedging derivative instrument.	\$122,085	5,596
Gain/loss on debt refundings	Deferred outflows or inflows. When debt is refunded, the associated gains (deferred inflows) or losses (deferred outflows) are recognized as deferred outflows or inflows of resources and amortized over future periods.	129,269	331
Regulated operations	Deferred inflows. In accordance with accounting for regulated operations, certain credits to income are held as deferred inflows of resources until the anticipated matched charge is incurred. These credits include unrealized gain/loss on investments, contributions, interest, decommissioning, and pass-through rates.		898,529
Service concession arrangements	Deferred inflows. The resources related to the service concession arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.		1,463
Pensions	Deferred outflows or inflows. Differences between estimated and actual investment earnings, changes in actuarial assumptions, and differences between projected and actual actuarial experience may be treated as either deferred outflows or inflows. Contributions made to the pension systems between the Plans' measurement date (December 31) and the City's fiscal year end (September 30) are recognized as deferred outflows.	229,482	

Compensated Absences -- The amounts owed to employees for unpaid vacation, exception vacation, and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements and in the proprietary activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability for governmental funds is the amount of vacation, exception vacation, and sick leave at termination payable within 60 days of fiscal year-end.

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

Accumulated leave payouts are limited to the lower of actual accumulated hours or the hours listed below:

	Work-week	Non-Sworn Employees (1)	Sworn Police (2)	Sworn Fire (3)	Sworn EMS (4)
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	270
	48	N/A	N/A	N/A	309
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	206
	42	160	N/A	N/A	206
	48	160	N/A	N/A	206
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	1,400	720	720
	42	N/A	N/A	N/A	756
	48	N/A	N/A	N/A	926
	53	N/A	N/A	1,080	N/A
Compensatory time (6)		120	120	120	120

- (1) Non-sworn employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
(2) Sworn police employees with 12 years of actual service are eligible for accumulated sick leave payout.
As of January 1, 2011, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.
(3) Sworn fire employees are eligible for accumulated sick leave payout regardless of hire date.
(4) Sworn EMS employees with 12 years of actual service are eligible for accumulated sick leave payout if certain criteria are met.
(5) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.
(6) Employees may earn compensatory time in lieu of paid overtime; maximum payout is 120 hours for all employees.

Other Postemployment Benefits (OPEB) -- The City provides certain health care benefits for its retired employees and their families as more fully described in Note 8. At September 30, 2015, the City's total actuarial accrued liability for these retiree benefits was approximately \$1.4 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

Long-Term Debt -- The debt service for general obligation bonds and other general obligation debt (including loans), issued to fund general government capital projects, is paid from tax revenues, interfund transfers, and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

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

Revenue bonds issued to finance capital projects of certain enterprise funds are to be repaid from select revenues of these funds. Note 6 contains more information about pledged revenues by fund. The corresponding debt is recorded in the applicable fund.

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serve the MUDs and surrounding areas. These additions and improvements are funded by other tax supported debt, whose principal and interest are payable primarily from the net revenues of Austin Water Utility.

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt as a liability and the related deferred loss (gain) amount as deferred outflows (or deferred inflows) of resources on the statement of net position. Austin Energy and Austin Water Utility recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

Other Long-Term Liabilities -- Capital appreciation bonds are recorded at net accreted value. Annual accretion of the bonds is recorded as interest expense during the life of the bonds. The cumulative accretion of capital appreciation bonds, net of principal and interest payments on the bonds, is recorded as capital appreciation bond interest payable.

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

Landfill Closure and Postclosure Care Costs -- Municipal solid waste landfill costs and the liability for landfill closure and postclosure costs are reported in Austin Resource Recovery, a nonmajor enterprise fund.

Operating Revenues -- Revenues are recorded net of allowances, including bad debt, in the government-wide and proprietary fund-level statements. The funds listed below report revenues net of bad debt expense, as follows (in thousands):

	Bad Debt Expense
Austin Energy	\$ 8,463
Austin Water Utility	2,676
Airport	199
Nonmajor Enterprise	2,191

Electric, water, and wastewater revenue is recorded when earned. Customers' electric and water meters are read and bills rendered on a cycle basis by billing district. Electric rate schedules include a fuel cost adjustment clause that permits recovery of fuel costs in the month incurred or in future months. The City reports fuel costs on the same basis as it recognizes revenue. Unbilled revenue is recorded in Austin Energy by estimating the daily power generation and allocating by each billing district meter read dates as of September 30, 2015. The amount of unbilled revenue recorded, as of September 30, 2015, was \$37.0 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2015. The amount of unbilled revenue reported in accounts receivable as of September 30, 2015 was \$19.5 million for water and \$13.4 million for wastewater.

Revenues are also recorded net of discounts in the government-wide and proprietary fund-level statements. Discounts are offered as incentives geared towards generating additional revenue in the form of new or expanded business, or to encourage events with a significant economic impact, as well as expedient event planning. The funds listed below report revenues net of discounts, as follows (in thousands):

	Discounts
Airport	\$ 748
Nonmajor Enterprise	1,290

Interfund Revenues, Expenses, and Transfers -- Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds. In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred in the Support Services Fund, which is reported as an internal service fund. Indirect costs are calculated in a citywide cost allocation plan or through indirect cost rates, which are based on the cost allocation plan.

Intergovernmental Revenues, Receivables, and Liabilities -- Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. Revenues are earned through expenditure of money for grant purposes. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local governmental units.

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

Federal and State Grants, Entitlements, and Shared Revenues -- Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements, and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally accounted for within the nonmajor governmental fund groupings include: Federal grant funds, State grant funds, and other special revenue grant funds. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenses are recognized in the applicable proprietary fund.

Special item – land sale -- In April 2012, the City Council approved an ordinance authorizing the execution of a master development agreement for the sale and redevelopment of the Green Water Treatment plant land. Under this agreement, the City will sell the land to the developer in four phases. The City received a payment of \$11.98 million in fiscal year 2015; sales to date total \$27.81 million. The balance of the sale should occur in two pieces with completion of the sale anticipated in fiscal year 2019, according to the current schedule. The unusual and infrequent occurrence of a sale of City property of this significance and the fact that the transaction is under the control of City management, it is being reported as a special item in the financial statements.

Fund Equity -- Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund type classifications are as follows:

Nonspendable: The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted: The portion of fund balance that is restricted to specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.

Committed: The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by an ordinance, the highest level action taken, adopted by the City Council. An equal action (ordinance) must be enacted to rescind the commitment. The City Council is the highest level of decision making authority.

Assigned: The portion of fund balance that is constrained by the City's intent to use for specific purposes, but are neither restricted nor committed. Under the city charter, the City Manager is authorized to assign individual amounts up to \$58,000 in fiscal year 2015 to a specific purpose. This amount is updated annually based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average.

Unassigned: The portion of fund balance that is not restricted, committed, or assigned to specific purposes; only the general fund reports a positive unassigned fund balance.

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

The constraints placed on the fund balances of the General Fund and the nonmajor governmental funds are presented below (in thousands):

	General Fund	Nonmajor Governmental				Total
		Special Revenue	Debt Service	Capital Projects	Permanent	
Nonspendable						
Inventory	\$ 766	--	--	--	--	766
Prepaid items	183	--	--	--	--	183
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	949	--	--	--	1,070	2,019
Restricted						
Municipal court services	--	2,933	--	--	--	2,933
Police special purpose	--	5,710	--	--	--	5,710
Fire special purpose	--	46	--	--	--	46
Transportation, planning, and sustainability	--	440	--	--	--	440
Public health services	--	311	--	--	--	311
Parks services	--	1,662	--	--	--	1,662
Library services	--	1,333	--	--	1	1,334
Tourism programs	--	22,890	--	--	--	22,890
Affordable housing programs	--	29,002	--	--	--	29,002
Urban growth programs	--	4,160	--	--	--	4,160
Capital construction	--	--	--	85,764	--	85,764
Debt service	--	--	21,725	--	--	21,725
Total Restricted	--	68,487	21,725	85,764	1	175,977
Committed						
Transportation, planning, and sustainability	--	134	--	--	--	134
Parks services	--	4,179	--	--	--	4,179
Affordable housing programs	--	5,558	--	--	--	5,558
Urban growth programs	--	30,325	--	--	--	30,325
Total Committed	--	40,196	--	--	--	40,196
Assigned						
Municipal court services	145	--	--	--	--	145
Police special purpose	2,627	39	--	--	--	2,666
Fire special purpose	590	--	--	--	--	590
EMS special purpose	1,252	--	--	--	--	1,252
Transportation, planning, and sustainability	--	8	--	--	--	8
Public health services	4,784	28	--	--	--	4,812
Parks services	1,590	101	--	--	--	1,691
Library services	140	6	--	--	--	146
Tourism programs	--	44	--	--	--	44
Affordable housing programs	--	989	--	--	--	989
Urban growth programs	14,995	2,769	--	--	--	17,764
Capital construction	--	--	--	71,837	--	71,837
Total Assigned	26,123	3,984	--	71,837	--	101,944
Unassigned	150,091	(2,637)	--	(48,985)	--	98,469
Total Fund Balance	<u>\$ 177,163</u>	<u>110,030</u>	<u>21,725</u>	<u>108,616</u>	<u>1,071</u>	<u>418,605</u>

Restricted resources -- If both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and unrestricted resources as needed. In governmental funds, unrestricted resources would be utilized in order from committed to assigned and finally unassigned.

Budget stabilization -- By formal action of City Council, the General Fund maintains 3 reserve funds: a contingency reserve, an emergency reserve, and a budget stabilization reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2015, the contingency reserve maintains a balance of 1 percent of departmental expenditures, or \$7.2 million, the emergency reserve remains fixed with a balance of \$40 million, and the budget stabilization reserve reports a balance of \$76.7 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other onetime costs, but such appropriation should not exceed one-third of the total amount in the reserve.

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

Cash and Cash Equivalents -- For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investments and cash accounts. The City considers the investment pool to be highly liquid, similar to a mutual fund.

Pensions -- For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's three pension plans and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability, pension expenses, and long-term deferrals are allocated to funds based on actual contributions by fund during the corresponding measurement period with the exception of the internal service funds, which are presented in governmental activities in the government-wide statements (see Note 7).

Risk Management -- The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts; theft of, damage to, or destruction of assets; fraud; and natural disasters. The City is self-insured for legal liabilities, workers' compensation claims, and employee health benefits.

The City does not participate in a risk pool but purchases commercial insurance coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites (see Note 13).

Austin Energy has established an energy risk management program. This program was authorized by City Council and led by the risk oversight committee. Under this program, Austin Energy enters into futures contracts, options, and swaps to reduce exposure to natural gas and energy price fluctuations. For additional details see Note 9.

f -- Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). Comparative data has been utilized within the MD&A to help readers more fully understand the City's financial statements for the current period.

g -- Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2 – POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2015 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	\$ 168,905	--
Nonmajor governmental funds	226,535	--
Austin Energy	249,666	82,684
Austin Water Utility	51,829	124,966
Airport	8,351	434,041
Nonmajor enterprise funds	201,730	37,530
Internal service funds	132,628	2,506
Fiduciary funds	4,682	--
Subtotal pooled investments and cash	<u>1,044,326</u>	<u>681,727</u>
Total pooled investments and cash	<u>\$ 1,726,053</u>	

3 – INVESTMENTS AND DEPOSITS
a -- Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity; addresses investment diversification, yield, and maturity; and addresses the quality and capability of investment personnel. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the City Council. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment, and the maximum average dollar weighted maturity allowed for pooled fund groups. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, and yield. Additionally, the soundness of financial institutions in which the City will deposit funds is addressed.

The City Treasurer submits an investment report each quarter to the investment committee. The report details the investment position of the City and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

The City is authorized to invest in the following investment instruments if they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
4. Obligations of other states, cities, counties, or other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
5. Bankers' acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, are eligible collateral for borrowing from a Federal Reserve Bank, and are accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is either rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by depository institutions that have a main office or branch office in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Share certificates issued by a depository institution that has a main office or branch office in Texas;
10. Money market mutual funds;
11. Local government investment pools (LGIPs); and
12. Securities lending program.

The City participates in four LGIPs: TexPool, TexasDAILY, TexStar, and Lone Star. The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors. First Public, LLC serves as the administrator of Lone Star under an agreement with Lone Star's board of directors. The City's position in the pool is the same as the value of the pool shares.

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

The City invests in TexPool, TexasDAILY, TexStar, and Lone Star to provide its liquidity needs. TexPool, TexasDAILY, TexStar, and Lone Star are LGIPs that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, TexasDAILY, TexStar, and Lone Star are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are also adjusted on a daily basis and the funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexPool, TexasDAILY, TexStar, and Lone Star are rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2015, TexPool, TexasDAILY, TexStar, and Lone Star had a weighted average maturity of 40 days, 37 days, 46 days, and 33 days, respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City did not participate in any reverse repurchase agreements or security lending arrangements during fiscal year 2015.

All City investments are insured, registered, or held by an agent in the City's name; therefore, the City is not exposed to custodial credit risk.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2015 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	\$ 20,550	341,904	--	362,454
Money Market Funds	1,590	62,869	--	64,459
US Treasury Notes	--	34,704	--	34,704
US Agency Bonds	--	202,274	--	202,274
Total non-pooled investments	22,140	641,751	--	663,891
Pooled investments:				
Local Government Investment Pools	231,839	520,330	2,046	754,215
US Treasury Notes	70,951	159,239	626	230,816
US Agency Bonds	230,933	518,325	2,010	751,268
Total pooled investments	533,723	1,197,894	4,682	1,736,299
Total investments	\$ 555,863	1,839,645	4,682	2,400,190

Concentration of Credit Risk

At September 30, 2015, the City of Austin was exposed to concentration of credit risk since it held investments with more than five percent of the total investment portfolio balances of the City in securities of the following issuers (in millions): Federal Farm Credit Bank (\$163.3 or 7%), Federal Home Loan Bank (\$368.4 or 15%), Federal Home Loan Mortgage Corporation (\$210.6 or 9%), and Federal National Mortgage Association (\$211.3 or 9%).

The risk exposures for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, and fiduciary fund types of the City are not significantly greater than the deposit and investment risk of the primary government. The Investment Policy segregates the portfolios into strategic categories including:

1. Operating funds excluding special project funds,
2. Debt service funds,
3. Debt service reserve funds, and
4. Special project funds or special purpose funds.

The City's credit risk is controlled by complying with the Investment Policy, which includes qualification of the brokers and financial institutions with whom the City will transact, sufficient collateralization, portfolio diversification, and maturity limitations.

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

Operating Funds

As of September 30, 2015, the City operating funds had the following investments (in thousands):

Investment Type	Fair Value				Weighted Average Maturity (days)
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Local Government Investment Pools	\$ 231,839	520,330	2,046	754,215	1
US Treasury Notes	70,951	159,239	626	230,816	283
US Agency Bonds	230,933	518,325	2,010	751,268	497
Total	<u>\$ 533,723</u>	<u>1,197,894</u>	<u>4,682</u>	<u>1,736,299</u>	

Credit Risk

At September 30, 2015, the Operating funds held investments in LGIPs rated AAAM by Standard & Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard & Poor's rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk

At September 30, 2015, the operating funds held investments with more than five percent of the total portfolio in securities of the following issuers (in millions): Federal Farm Credit Bank (\$163.3 or 9%), Federal Home Loan Bank (\$317.4 or 18%), Federal Home Loan Mortgage Corporation (\$160.2 or 9%), and Federal National Mortgage Association (\$110.3 or 6%).

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements. Three years is the maximum period before maturity.

At September 30, 2015, less than half of the Investment Pool was invested in AAAM rated LGIPs, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 253 days, which was less than the threshold of 365 days.

Debt Service Funds

As of September 30, 2015, the City's debt service funds had the following investments (in thousands):

Investment Type	Fair Value		Weighted Average Maturity (days)
	Governmental Activities	Business-type Activities	
General Obligation Debt Service			
Local Government Investment Pools	\$ 20,550	--	1
Enterprise-Utility (1)			
Local Government Investment Pools	--	144,800	1
Enterprise-Airport			
Local Government Investment Pools	--	22,070	1
Nonmajor Enterprise-Convention Center			
Local Government Investment Pools	--	10,432	1
Total	<u>\$ 20,550</u>	<u>177,302</u>	

(1) Includes combined pledge debt service

Credit Risk

At September 30, 2015, the debt service funds held an investment in TexPool, an LGIP rated AAAM by Standard and Poor's.

Interest Rate Risk

Investment strategies for debt service funds have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. As a means of minimizing risk of loss due to interest rate fluctuations, securities purchased cannot have a stated final maturity date which exceeds the debt service payment date.

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

Debt Service Reserve Funds

As of September 30, 2015, the City's debt service reserve funds had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value Business-type Activities</u>	<u>Weighted Average Maturity (days)</u>
Enterprise-Utility (1)		
Local Government Investment Pools	\$ 41,393	1
Enterprise-Airport		
Local Government Investment Pools	14,665	1
Nonmajor Enterprise-Convention Center		
Local Government Investment Pools	13,305	1
Total	<u>\$ 69,363</u>	

(1) Includes combined pledge debt service

Credit Risk

At September 30, 2015, the debt service reserve funds held an investment in TexPool, an LGIP rated AAAM by Standard and Poor's.

Interest Rate Risk

Investment strategies for debt service reserve funds shall have as the primary object the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by bond ordinance specific to an individual issue, securities should be of high quality, with short-term to intermediate-term securities.

Special Projects or Special Purpose Funds

Special Project Funds

At September 30, 2015, the City's special project funds had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>			<u>Weighted Average Maturity (days)</u>
	<u>Utility Reserve</u>	<u>Airport Construction</u>	<u>Total</u>	
Local Government Investment Pools	\$ 27,030	77	27,107	1

Credit Risk

At September 30, 2015, the special project funds held an investment in TexPool, an LGIP rated AAAM by Standard and Poor's.

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

Special Purpose Funds - Austin Energy Strategic Reserve Fund

As of September 30, 2015, the City's Austin Energy Strategic Reserve Fund, a special purpose fund, had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value Business-type Activities</u>	<u>Weighted Average Maturity (days)</u>
Local Government Investment Pools	\$ 68,134	1
US Treasury Notes	15,470	507
US Agency Bonds	68,482	878
Total	<u>\$ 152,086</u>	

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

Credit risk

At September 30, 2015, the Austin Energy Strategic Reserve Fund held an investment in TexPool, an LGIP rated AAAM by Standard & Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard & Poor's rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk

At September 30, 2015, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank (\$23.3 or 15%), Federal Home Loan Mortgage Corporation (\$15.1 or 10%), and Federal National Mortgage Association (\$30.2 or 20%).

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

At September 30, 2015, the portfolios held investments in TexPool, US Treasuries, and US Agencies with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 446 days (1.22 years).

Special Purpose Funds - Austin Energy Nuclear Decommissioning Trust Funds (NDTF)

At September 30, 2015, the City's Austin Energy NDTF had the following investments (in thousands):

Investment Type	Fair Value		Weighted Average Maturity (years)
	Business-type Activities		
Money Market Funds	\$	52,083	1 day
US Treasury Notes		19,234	1.85
US Agency Bonds		133,791	2.13
Total	\$	205,108	

Credit Risk

At September 30, 2015, Standard & Poor's rated the US Agency Bonds AA+ and the Money Market Fund AAAM. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk

At September 30, 2015, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank (\$27.7 or 14%), Federal Home Loan Mortgage Corporation (\$35.3 or 17%), Federal National Mortgage Association (\$70.8 or 35%).

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the NDTF portfolios requires that the dollar weighted average maturity, using final state maturity dates, shall not exceed seven years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate. At September 30, 2015, the dollar weighted average maturity was 1.56 years.

Special Purpose Funds - Investments Held by Trustee

At September 30, 2015, the City's special purpose funds had the following investments (in thousands):

Investment Type	Fair Value		Weighted Average Maturity (days)
	Governmental Activities	Business-type Activities	
Money Market Funds	\$	1,590	10,786
			1

Credit Risk

At September 30, 2015, Standard & Poor's rated the Money Market Fund AAAM.

Interest Rate Risk

Investment objectives for these special purpose funds have as the primary objective the safety of principal and assurance of liquidity adequate to cover construction expense draws. As a means of minimizing risk of loss due to interest rate fluctuations, funds are being held in overnight money market funds until definitive construction cash flows are established.

3 – INVESTMENTS AND DEPOSITS, continued
c -- Investment and Deposits

Investments and deposits portfolio balances at September 30, 2015, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	\$ 26,527	646,823	--	673,350
Pooled investments and cash	535,338	1,201,518	4,682	1,741,538
Total investments and cash	<u>561,865</u>	<u>1,848,341</u>	<u>4,682</u>	<u>2,414,888</u>
Unrestricted cash	64	61	--	125
Restricted cash	4,323	5,011	--	9,334
Pooled investments and cash	535,338	1,201,518	4,682	1,741,538
Investments	22,140	641,751	--	663,891
Total	<u>\$ 561,865</u>	<u>1,848,341</u>	<u>4,682</u>	<u>2,414,888</u>

A difference of \$15.5 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

Deposits

The September 30, 2015 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	\$ 64	61	125
Restricted	--	5,011	5,011
Cash held by trustee			
Restricted	4,323	--	4,323
Pooled cash	1,615	3,624	5,239
Total deposits	<u>\$ 6,002</u>	<u>8,696</u>	<u>14,698</u>

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2015.

4 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2014, upon which the 2015 levy was based, was \$98,652,179,430.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2015, 99.27% of the current tax levy (October 1, 2014) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statutes. The statutes provide for a property tax code, countywide appraisal districts, a State property tax board, and certain exemptions from taxation, such as intangible personal property, household goods, and family-owned automobiles.

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, the Williamson Central Appraisal District, and the Hays Central Appraisal District. The appraisal districts are required under the Property Tax Code to assess all real and personal property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every two years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District and the Hays Central Appraisal District have chosen to review the value of property in their respective districts every two years, while the Williamson Central Appraisal District has chosen to review the value of property on an annual basis. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

4 – 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, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, State statute allows qualified voters of the City to petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the city charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at \$1.00 per \$100 assessed valuation. A practical limitation on taxes levied for debt service of \$1.50 per \$100 of assessed valuation is established by state statute and city charter limitations. Through contractual arrangements, Travis, Williamson, and Hays Counties bill and collect property taxes for the City.

The tax rate to finance general governmental functions, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2015, was \$0.3691 per \$100 assessed valuation. The tax rate for servicing the payment of principal and interest on general obligation long-term debt for the fiscal year ended September 30, 2015 was \$0.1118 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$0.6309 per \$100 assessed valuation, and could levy approximately \$622,396,600 in additional taxes from the assessed valuation of \$98,652,179,430 before the legislative limit is reached.

The City has reserved a portion of the taxes collected for lawsuits filed by certain taxpayers against the appraisal districts challenging assessed values in the government-wide financial statements.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2015, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
Depreciable capital assets				
Building and improvements	\$ 857,912	4,896	(933)	861,875
Plant and equipment	232,018	24,882	(11,502)	245,398
Vehicles	125,018	20,132	(17,906)	127,244
Infrastructure	2,360,304	135,107	(752)	2,494,659
Total depreciable capital assets	<u>3,575,252</u>	<u>185,017</u>	<u>(31,093)</u>	<u>3,729,176</u>
Less accumulated depreciation for				
Building and improvements	(287,417)	(24,056)	95	(311,378)
Plant and equipment	(150,972)	(19,641)	2,207	(168,406)
Vehicles	(79,054)	(11,327)	9,697	(80,684)
Infrastructure	(977,232)	(65,756)	--	(1,042,988)
Total accumulated depreciation	<u>(1,494,675)</u>	<u>(120,780)</u> (2)	<u>11,999</u>	<u>(1,603,456)</u>
Depreciable capital assets, net	<u>2,080,577</u>	<u>64,237</u>	<u>(19,094)</u>	<u>2,125,720</u>
Nondepreciable capital assets				
Land and improvements	363,091	7,020	(2,074)	368,037
Arts and treasures	8,643	590	--	9,233
Library collections	14,390	3,220	--	17,610
Construction in progress	226,499	197,049	(151,753)	271,795
Total nondepreciable assets	<u>612,623</u>	<u>207,879</u>	<u>(153,827)</u>	<u>666,675</u>
Total capital assets	<u>\$ 2,693,200</u>	<u>272,116</u>	<u>(172,921)</u>	<u>2,792,395</u>

(1) Increases and decreases do not include transfers (at net book value) between Governmental Activities.

(2) Components of accumulated depreciation/amortization increases:

Governmental activities:

General government	\$ 4,860
Public safety	15,443
Transportation, planning and sustainability	54,677
Public health	1,535
Public recreation and culture	15,026
Urban growth management	18,025
Internal service funds	11,214
Total increases in accumulated depreciation/amortization	<u>\$ 120,780</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2015, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
Depreciable capital assets				
Building and improvements	\$ 1,738,555	579,568	(755)	2,317,368
Plant and equipment	3,569,179	141,266	(28,689)	3,681,756
Vehicles	188,327	27,116	(10,451)	204,992
Electric plant	4,517,202	164,448	(11,371)	4,670,279
Non-electric plant	189,830	10,963	(253)	200,540
Nuclear fuel	320,764	25,077	--	345,841
Water rights	100,000	--	--	100,000
Total depreciable capital assets	<u>10,623,857</u>	<u>948,438</u>	<u>(51,519)</u>	<u>11,520,776</u>
Less accumulated depreciation/amortization for				
Building and improvements	(617,075)	(51,459)	2	(668,532)
Plant and equipment	(1,283,433)	(97,500)	6,103	(1,374,830)
Vehicles	(115,015)	(17,865)	9,648	(123,232)
Electric plant	(2,315,949)	(142,147)	6,724	(2,451,372)
Non-electric plant	(54,476)	(8,118)	115	(62,479)
Nuclear fuel	(281,148)	(17,869)	--	(299,017)
Water rights	(14,815)	(988)	--	(15,803)
Total accumulated depreciation/amortization	<u>(4,681,911)</u>	<u>(335,946)</u> (2)	<u>22,592</u>	<u>(4,995,265)</u>
Depreciable capital assets, net	<u>5,941,946</u>	<u>612,492</u>	<u>(28,927)</u>	<u>6,525,511</u>
Nondepreciable capital assets				
Land and improvements	554,774	41,282	(2,249)	593,807
Arts and treasures	1,657	2,207	--	3,864
Construction in progress	794,464	431,128	(925,804)	299,788
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	<u>1,374,010</u>	<u>474,617</u>	<u>(928,053)</u>	<u>920,574</u>
Total capital assets	<u>\$ 7,315,956</u>	<u>1,087,109</u>	<u>(956,980)</u>	<u>7,446,085</u>

(1) Increases and decreases do not include transfers (at net book value) between Business-type Activities.

(2) Components of accumulated depreciation/amortization increases:

Business-type Activities:

Electric	\$ 170,413
Water	55,612
Wastewater	59,659
Airport	20,690
Convention Center	8,948
Environmental and health services	9,075
Public recreation	866
Urban growth management	10,683
Total increases in accumulated depreciation/amortization	<u>\$ 335,946</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2015, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	\$ 30,468	1,231	(1,113)	30,586
Electric plant	4,517,202	164,448	(11,371)	4,670,279
Non-electric plant	189,830	10,963	(253)	200,540
Nuclear fuel	320,764	25,077	--	345,841
Total depreciable capital assets	<u>5,058,264</u>	<u>201,719</u>	<u>(12,737)</u>	<u>5,247,246</u>
Less accumulated depreciation/amortization for				
Vehicles	(22,474)	(2,279)	1,113	(23,640)
Electric plant	(2,315,949)	(142,147)	6,724	(2,451,372)
Non-electric plant	(54,476)	(8,118)	115	(62,479)
Nuclear fuel	(281,148)	(17,869)	--	(299,017)
Total accumulated depreciation/amortization	<u>(2,674,047)</u>	<u>(170,413) (1)</u>	<u>7,952</u>	<u>(2,836,508)</u>
Depreciable capital assets, net	<u>2,384,217</u>	<u>31,306</u>	<u>(4,785)</u>	<u>2,410,738</u>
Nondepreciable capital assets				
Land and improvements	62,765	1,148	--	63,913
Plant held for future use	23,115	--	--	23,115
Construction in progress	117,360	171,273	(182,631)	106,002
Total nondepreciable assets	<u>203,240</u>	<u>172,421</u>	<u>(182,631)</u>	<u>193,030</u>
Total capital assets	<u>\$ 2,587,457</u>	<u>203,727</u>	<u>(187,416)</u>	<u>2,603,768</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	\$ 152,544
Current year amortization included in operating expense	17,869
Total increases in accumulated depreciation/amortization	<u>\$ 170,413</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2015, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 674,016	486,174	--	1,160,190
Plant and equipment	3,355,030	129,848	(28,447)	3,456,431
Vehicles	39,142	1,475	(954)	39,663
Water rights	100,000	--	--	100,000
Total depreciable capital assets	<u>4,168,188</u>	<u>617,497</u>	<u>(29,401)</u>	<u>4,756,284</u>
Less accumulated depreciation/amortization for				
Building and improvements	(231,907)	(23,611)	2	(255,516)
Plant and equipment	(1,207,975)	(87,618)	6,075	(1,289,518)
Vehicles	(27,706)	(3,054)	916	(29,844)
Water rights	(14,815)	(988)	--	(15,803)
Total accumulated depreciation/amortization	<u>(1,482,403)</u>	<u>(115,271) (1)</u>	<u>6,993</u>	<u>(1,590,681)</u>
Depreciable capital assets, net	<u>2,685,785</u>	<u>502,226</u>	<u>(22,408)</u>	<u>3,165,603</u>
Nondepreciable capital assets				
Land and improvements	230,815	2,354	(2,249)	230,920
Arts and treasures	62	22	--	84
Construction in progress	<u>577,082</u>	<u>114,837</u>	<u>(571,357)</u>	<u>120,562</u>
Total nondepreciable assets	<u>807,959</u>	<u>117,213</u>	<u>(573,606)</u>	<u>351,566</u>
Total capital assets	<u>\$ 3,493,744</u>	<u>619,439</u>	<u>(596,014)</u>	<u>3,517,169</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	\$ 54,624
Wastewater	59,659
Current year amortization	
Water	988
Total increases in accumulated depreciation/amortization	<u>\$ 115,271</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2015, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets				
Building and improvements	\$ 735,106	90,011	--	825,117
Plant and equipment	25,926	2,338	(52)	28,212
Vehicles	9,926	2,436	(148)	12,214
Total depreciable capital assets	<u>770,958</u>	<u>94,785</u>	<u>(200)</u>	<u>865,543</u>
Less accumulated depreciation for				
Building and improvements	(249,863)	(18,107)	--	(267,970)
Plant and equipment	(14,238)	(1,420)	--	(15,658)
Vehicles	(5,554)	(1,163)	147	(6,570)
Total accumulated depreciation	<u>(269,655)</u>	<u>(20,690) (1)</u>	<u>147</u>	<u>(290,198)</u>
Depreciable capital assets, net	<u>501,303</u>	<u>74,095</u>	<u>(53)</u>	<u>575,345</u>
Nondepreciable capital assets				
Land and improvements	95,738	643	--	96,381
Arts and treasures	983	2,185	--	3,168
Construction in progress	51,151	62,287	(99,361)	14,077
Total nondepreciable assets	<u>147,872</u>	<u>65,115</u>	<u>(99,361)</u>	<u>113,626</u>
Total capital assets	<u>\$ 649,175</u>	<u>139,210</u>	<u>(99,414)</u>	<u>688,971</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation \$ 20,690

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2015, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
Depreciable capital assets				
Building and improvements	\$ 329,433	3,383	(755)	332,061
Plant and equipment	188,223	9,080	(190)	197,113
Vehicles	108,791	21,974	(8,236)	122,529
Total depreciable capital assets	<u>626,447</u>	<u>34,437</u>	<u>(9,181)</u>	<u>651,703</u>
Less accumulated depreciation for				
Building and improvements	(135,305)	(9,741)	--	(145,046)
Plant and equipment	(61,220)	(8,462)	28	(69,654)
Vehicles	(59,281)	(11,369)	7,472	(63,178)
Total accumulated depreciation	<u>(255,806)</u>	<u>(29,572)</u> (2)	<u>7,500</u>	<u>(277,878)</u>
Depreciable capital assets, net	<u>370,641</u>	<u>4,865</u>	<u>(1,681)</u>	<u>373,825</u>
Nondepreciable capital assets				
Land and improvements	165,456	37,137	--	202,593
Arts and treasures	612	--	--	612
Construction in progress	48,871	82,731	(72,455)	59,147
Total nondepreciable assets	<u>214,939</u>	<u>119,868</u>	<u>(72,455)</u>	<u>262,352</u>
Total capital assets	<u>\$ 585,580</u>	<u>124,733</u>	<u>(74,136)</u>	<u>636,177</u>

(1) Increases and decreases do not include transfers (at net book value) between nonmajor enterprise funds.

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Convention Center	\$ 8,948
Environmental and health services	9,075
Public recreation	866
Urban growth management	10,683
Total increases in accumulated depreciation/amortization	<u>\$ 29,572</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Capitalized Interest

The City has recorded capitalized interest for fiscal year 2015 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Enterprise Funds	
Major fund:	
Airport	\$ 1,284
Nonmajor enterprise funds:	
Convention Center	992
Drainage	725

Interest is not capitalized on governmental capital assets. In accordance with accounting for regulated operations, interest is also not capitalized for Austin Energy or Austin Water Utility capital assets.

Service Concession Arrangements

The City has recorded capital assets and deferred inflows of \$3.67 million derived from two service concession arrangements (SCA) described below. An SCA is an arrangement in which the City conveys use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated from third parties; where the City may determine what services are provided, to whom and for what price; where the City retains a significant residual interest in the asset after the SCA terminates.

The City has had an agreement with the Friends of Umlauf Garden, Inc. since 1991 to manage and operate the Umlauf Sculpture Garden and Museum. The agreement extends through 2021 and is for the purpose of displaying the artistic works of Charles Umlauf for the public enjoyment and education. Structures, which are dedicated to the City, have been built on City-owned land and display City-owned artwork.

The City entered into an agreement with the Young Men's Christian Association (YMCA) in 2010 to develop and operate a new joint-use recreational facility for public use. The facility is owned by the City and operated by the YMCA under a 20 year agreement extending through 2032.

As of September 30, 2015, the City reported the following SCA activity in the governmental activities (in thousands):

Service Concession Arrangement	Asset Construction Cost	Beginning Accumulated Depreciation	Current Year Depreciation	Ending Accumulated Depreciation	Net Book Value
Umlauf Sculpture Garden	\$ 2,337	1,339	59	1,398	939
YMCA Northeast Recreation Center	1,333	61	33	94	1,239
	<u>3,670</u>	<u>1,400</u>	<u>92</u>	<u>1,492</u>	<u>2,178</u>

	Beginning Deferred Inflows	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Umlauf Sculpture Garden	2,337	1,785	77	1,862	475
YMCA Northeast Recreation Center	1,333	278	67	345	988
	<u>\$ 3,670</u>	<u>2,063</u>	<u>144</u>	<u>2,207</u>	<u>1,463</u>

6 – DEBT AND NON-DEBT LIABILITIES

a -- Long-Term Liabilities

Payments on bonds for governmental activities will be made from the general obligation debt service funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, and internal service funds. Claims payable will be liquidated by internal service funds. Other liabilities that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, general governmental capital improvement projects funds, and internal service funds.

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

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2015, were as follows (in thousands):

Description	October 1, 2014	Increases	Decreases	September 30, 2015	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	\$ 974,855	115,432	(59,607)	1,030,680	56,673
Certificates of obligation, net	135,829	35,250	(5,729)	165,350	6,317
Contractual obligations, net	85,036	29,350	(11,990)	102,396	10,727
Debt service requirements total	1,195,720	180,032	(77,326)	1,298,426	73,717
Other long-term obligations					
Accrued compensated absences	132,136	4,013	(3,760)	132,389	60,644
Claims payable	43,806	26,900	(23,242)	47,464	22,611
Net pension liability (1)	754,223	186,945	(97,082)	844,086	--
Other postemployment benefits	435,263	49,591	--	484,854	--
Other liabilities	87,230	8,474	(3,398)	92,306	80,571
Governmental activities total	2,648,378	455,955	(204,808)	2,899,525	237,543
Total business-type activities					
General obligation bonds, net	33,701	--	(4,849)	28,852	4,354
Certificates of obligation, net	27,232	15,118	(1,655)	40,695	1,503
Contractual obligations, net	65,854	5,091	(16,259)	54,686	13,748
Other tax supported debt, net	9,195	--	(745)	8,450	795
General obligation bonds and other tax supported debt total	135,982	20,209	(23,508)	132,683	20,400
Commercial paper notes, net	241,456	151,825	(192,700)	200,581	--
Revenue bonds, net	4,298,643	1,051,949	(749,775)	4,600,817	181,484
Capital lease obligations	1,135	--	(46)	1,089	49
Debt service requirements total	4,677,216	1,223,983	(966,029)	4,935,170	201,933
Other long-term obligations					
Accrued compensated absences	23,824	1,910	(1,026)	24,708	24,565
Net pension liability (1)	392,620	100,449	(47,260)	445,809	--
Other postemployment benefits	255,002	41,911	(4,068)	292,845	--
Accrued landfill closure and postclosure costs	9,935	1,519	(6)	11,448	1,549
Decommissioning expense payable	182,536	2,418	(1,946)	183,008	7,792
Other liabilities	95,177	8,244	(2,648)	100,773	57,000
Business-type activities total	5,636,310	1,380,434	(1,022,983)	5,993,761	292,839
Total liabilities (2)	\$ 8,284,688	1,836,389	(1,227,791)	8,893,286	530,382

(1) Beginning balances have been restated. See Note 18.

(2) This schedule excludes select short-term liabilities of \$87,014 for governmental activities. For business-type activities, it excludes select short-term liabilities of \$196,644, capital appreciation bond interest payable of \$100,528 and derivative instruments of \$122,085.

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

Description	October 1, 2014	Increases	Decreases	September 30, 2015	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	\$ 686	--	(157)	529	122
General obligation bonds					
and other tax supported debt total	686	--	(157)	529	122
Commercial paper notes, net	166,456	58,290	(192,700)	32,046	--
Revenue bonds, net	1,252,386	453,913	(295,656)	1,410,643	65,132
Capital lease obligations	1,135	--	(46)	1,089	49
Debt service requirements total	1,420,663	512,203	(488,559)	1,444,307	65,303
Other long-term obligations					
Accrued compensated absences	10,081	214	(38)	10,257	10,257
Net pension liability (1)	167,761	42,550	(20,022)	190,289	--
Other postemployment benefits	104,347	11,313	--	115,660	--
Decommissioning expense payable	182,536	2,418	(1,946)	183,008	7,792
Other liabilities	69,792	4,750	--	74,542	34,163
Electric activities total	1,955,180	573,448	(510,565)	2,018,063	117,515
Water and Wastewater activities					
General obligation bonds, net	3,975	--	(1,119)	2,856	1,029
Contractual obligations, net	8,342	908	(2,163)	7,087	1,761
Other tax supported debt, net	5,887	--	(477)	5,410	509
General obligation bonds					
and other tax supported debt total	18,204	908	(3,759)	15,353	3,299
Commercial paper notes, net	75,000	93,535	--	168,535	--
Revenue bonds, net	2,548,736	324,369	(424,634)	2,448,471	86,261
Debt service requirements total	2,641,940	418,812	(428,393)	2,632,359	89,560
Other long-term obligations					
Accrued compensated absences	5,415	181	(124)	5,472	5,472
Net pension liability (1)	88,670	22,828	(10,739)	100,759	--
Other postemployment benefits	63,946	11,062	--	75,008	--
Other liabilities	13,134	997	(1,058)	13,073	13,073
Water and Wastewater activities total	2,813,105	453,880	(440,314)	2,826,671	108,105
Airport activities					
General obligation bonds, net	134	--	(29)	105	24
General obligation bonds					
and other tax supported debt total	134	--	(29)	105	24
Revenue bonds, net	310,013	273,667	(17,582)	566,098	18,351
Debt service requirements total	310,147	273,667	(17,611)	566,203	18,375
Other long-term obligations					
Accrued compensated absences	1,816	193	(60)	1,949	1,949
Net pension liability (1)	27,231	6,934	(3,262)	30,903	--
Other postemployment benefits	17,209	2,528	--	19,737	--
Other liabilities	2,120	1,433	(1)	3,552	3,541
Airport activities total	358,523	284,755	(20,934)	622,344	23,865
Nonmajor activities					
General obligation bonds, net	28,906	--	(3,544)	25,362	3,179
Certificates of obligation, net	27,232	15,118	(1,655)	40,695	1,503
Contractual obligations	57,512	4,183	(14,096)	47,599	11,987
Other tax supported debt, net	3,308	--	(268)	3,040	286
General obligation bonds					
and other tax supported debt total	116,958	19,301	(19,563)	116,696	16,955
Revenue bonds, net	187,508	--	(11,903)	175,605	11,740
Debt service requirements total	304,466	19,301	(31,466)	292,301	28,695
Other long-term obligations					
Accrued compensated absences	6,512	1,322	(804)	7,030	6,887
Net pension liability (1)	108,958	28,137	(13,237)	123,858	--
Other postemployment benefits	69,500	17,008	(4,068)	82,440	--
Accrued landfill closure and postclosure costs	9,935	1,519	(6)	11,448	1,549
Other liabilities	10,131	1,064	(1,589)	9,606	6,223
Nonmajor activities total	\$ 509,502	68,351	(51,170)	526,683	43,354

(1) Beginning balances have been restated. See Note 18.

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

General Obligation Bonds -- General obligation debt is collateralized by the full faith and credit of the City. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt issued to finance capital assets of enterprise funds is reported as an obligation of these enterprise funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the enterprise funds to meet the debt service requirements from program revenues.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and assumed municipal utility district (MUD) bonds outstanding at September 30, 2015, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD	2005	\$ 2,630	1,075	130 (1)(3)	3.95 - 4.30%	9/1/2016-2020
NW Austin MUD	2006	7,995	6,680	2,757 (1)(3)	4.00 - 4.25%	9/1/2016-2026
NW Austin MUD	2010	2,760	695	34 (1)(3)	4.25%	3/1/2016-2018
2005 Refunding	2005	19,535	12,140	4,011 (1)	4.00 - 4.25%	9/1/2016-2025
2005	2005	7,185	4,490	1,111 (1)	3.85 - 4.30%	9/1/2016-2025
2006	2006	31,585	29,480	9,798 (1)	4.00 - 5.38%	9/1/2016-2026
2006	2006	24,150	16,100	4,500 (1)	4.00 - 5.00%	9/1/2016-2026
2006	2006	12,000	8,415	2,431 (1)(4)	4.00 - 5.00%	9/1/2016-2026
2007	2008	97,525	92,925	37,173 (1)	4.64%	9/1/2016-2027
2007	2008	3,820	2,725	941 (1)	4.88%	9/1/2016-2027
2007	2008	9,755	1,175	65 (2)	3.66%	11/1/2015-2017
2008 Refunding	2008	172,505	68,540	10,074 (1)	5.00%	9/1/2016-2021
2008	2009	76,045	60,855	25,975 (1)	3.75 - 5.00%	9/1/2016-2028
2008	2009	10,700	8,165	2,852 (1)	4.00 - 5.00%	9/1/2016-2028
2008	2009	26,715	2,195	38 (2)	3.50%	11/1/2015
2009A	2009	20,905	1,295	65 (1)	5.00%	9/1/2016
2009B	2009	78,460	78,460	33,305 (1)	4.15 - 5.31%	9/1/2017-2029
2009	2009	12,500	8,975	4,730 (1)	3.00 - 4.75%	9/1/2016-2039
2009	2009	13,800	4,650	264 (2)	3.00 - 3.25%	11/1/2015-2019
2009	2010	15,000	11,890	3,986 (1)(4)	3.50 - 4.25%	9/1/2016-2029
2010A	2011	79,528	66,230	25,494 (1)	2.00 - 4.00%	9/1/2016-2030
2010B	2011	26,400	24,770	10,913 (1)	3.50 - 4.65%	9/1/2016-2030
2010	2011	22,300	18,570	5,255 (1)	2.00 - 3.50%	9/1/2016-2030
2010	2011	16,450	6,215	151 (2)	1.25 - 1.75%	11/1/2015-2017
2010 Refunding	2011	91,560	79,600	19,326 (1)	4.34 - 5.00%	9/1/2016-2023
2011A	2012	78,090	69,490	31,245 (1)	2.00 - 4.00%	9/1/2016-2031
2011B	2012	8,450	8,250	3,434 (1)	2.50 - 4.50%	9/1/2016-2031
2011	2012	51,150	47,835	27,886 (1)	3.00 - 5.00%	9/1/2016-2041
2011	2012	26,725	14,315	573 (2)	1.00 - 2.00%	11/1/2015-2018
2011A Refunding	2012	68,285	31,730	5,906 (1)	4.00 - 5.00%	9/1/2016-2023
2011B Refunding	2012	3,000	290	5 (1)	1.86%	9/1/2016
2012A	2013	74,280	70,945	30,179 (1)	3.00 - 5.00%	9/1/2023-2032
2012B	2013	6,640	5,510	1,698 (1)	2.00 - 3.50%	9/1/2016-2032
2012	2013	24,645	22,375	7,722 (1)	3.00 - 4.00%	9/1/2016-2037
2012	2013	27,135	18,150	1,646 (2)	3.00 - 4.00%	11/1/2015-2019
2012	2013	16,735	15,325	5,390 (1)(4)	2.00 - 3.38%	9/1/2016-2032
2013	2014	104,665	101,370	53,874 (1)	4.00 - 5.00%	9/1/2016-2033
2013	2014	25,355	25,355	14,399 (1)	3.25 - 5.00%	9/1/2016-2038
2013	2014	50,150	39,505	2,824 (2)	1.50 - 3.00%	11/1/2015-2020
2013A Refunding	2014	43,250	35,305	9,189 (1)	5.00%	9/1/2016-2024
2013B Refunding	2014	71,455	68,475	3,826 (1)	0.93 - 2.72%	9/1/2016-2020
2014	2015	89,915	89,655	65,418 (1)	3.00 - 5.00%	9/1/2017-2034
2014	2015	10,000	9,915	5,444 (1)	0.86 - 4.10%	9/1/2016-2034
2014	2015	35,490	34,225	18,441 (1)	2.00 - 5.00%	9/1/2016-2034
2014	2015	9,600	9,225	3,707 (1)	0.76 - 3.92%	9/1/2016-2034
2014	2015	14,100	13,255	2,452 (2)	3.00 - 5.00%	11/1/2015-2021
2014	2015	15,845	15,725	7,614 (1)(4)	3.00 - 5.00%	9/1/2016-2029
		<u>\$ 1,362,535</u>				

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

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

(3) Includes Austin Water Utility principal of \$5,410 and interest of \$1,870 and Drainage Fund principal of \$3,040 and interest of \$1,051.

(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

6 – DEBT AND NON-DEBT LIABILITIES, continued

b -- Governmental Activities Long-Term Liabilities, continued

In October 2014, the City issued \$89,915,000 of Public Improvement Bonds, Series 2014. The net proceeds of \$104,620,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and signals (\$54,685,000), watershed protection improvements (\$10,000,000), parks and recreation (\$8,310,000), central library (\$20,000,000), and facility improvements (\$11,625,000). These bonds will be amortized serially on September 1 of 2015 and 2017, then each year on September 1 from 2020 to 2034. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2015. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0%, are \$69,693,650.

In October 2014, the City issued \$10,000,000 of Public Improvement Taxable Bonds, Series 2014. The net proceeds of \$9,844,936 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. Interest is payable March 1 and September 1 of each year from 2015 to 2034, commencing on March 1, 2015. Principal payments are due September 1 of each year from 2015 to 2034. Total interest requirements for this obligation, at rates ranging from 0.4% to 4.0% are \$5,806,156.

In October 2014, the City issued \$35,490,000 of Certificates of Obligation, Series 2014. The net proceeds of \$40,450,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts (\$15,000,000), Waller Creek Tunnel (\$25,000,000) and street improvements (\$450,000). These certificates of obligation will be amortized serially on September 1 of each year from 2015 to 2034. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2015. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are \$19,927,600.

In October 2014, the City issued \$9,600,000 of Certificates of Obligation Bonds, Taxable Series 2014. The net proceeds of \$9,449,004 (after issue costs, discounts, and premiums) from the issuance were used for Grey Rock Golf Course & Improvements. Interest is payable March 1 and September 1 of each year from 2015 to 2034, commencing on March 1, 2015. Principal payments are due September 1 of each year from 2015 to 2034. Total interest requirements for this obligation, at rates ranging from 0.4% to 3.9%, are \$4,002,858.

In October 2014, the City issued \$14,100,000 of Public Property Finance Contractual Obligations, Series 2014. The net proceeds of \$15,800,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water and wastewater utility capital equipment (\$900,000), public works capital equipment (\$2,300,000), transportation capital equipment (\$1,845,000) and network equipment (\$10,755,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2015 to 2021. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2015. Total interest requirements for these obligations, at rates ranging from 3.0% to 5.0%, are \$2,836,458.

In October 2014, the City issued \$15,845,000 of Tax Increment Contract Revenue Bonds, Series 2014. The net proceeds of \$18,492,042 (after issue costs, discounts, and premiums) were used to reimburse the developer of Mueller for additional eligible infrastructure costs such as streets, drainage, and parks. The debt service requirements on the bonds are \$24,217,550 with interest rates ranging from 2.0% to 5.0%. Interest payments are due March 1 and September 1 of each year from 2015 to 2029. Principal payments are due September 1 of each year from 2015 to 2029.

General obligation bonds authorized and unissued amounted to \$324,860,000 at September 30, 2015. Bond ratings at September 30, 2015 were Aaa (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

c -- Business-Type Activities Long-Term Liabilities

Utility Debt -- The City has previously issued combined debt for the Austin Energy and Austin Water Utility. The City began issuing separate debt for electric and water and wastewater activities in 2000. The following paragraphs describe both combined and separate debt.

Combined Utility Systems Debt -- General - Austin Energy and Austin Water Utility comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility.

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

The total combined utility systems revenue bond obligations at September 30, 2015, exclusive of discounts, premiums, and loss on refundings consists of \$29,542,584 prior lien bonds and \$137,008,874 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are \$170,744,105 at September 30, 2015. Revenue bonds authorized and unissued amount to \$1,492,642,660 at that date. Bond ratings at September 30, 2015, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investors Service, Inc.), AA and AA (Standard & Poor's), and AA and AA- (Fitch).

Combined Utility Systems Debt -- Revenue Bond Refunding Issues - The combined utility systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility. The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

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

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the refunding revenue bonds outstanding at September 30, 2015 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1990B Refunding	1990	\$ 236,009	2,649	15,476 (2)	7.35%	11/15/2015-2017
1994 Refunding	1995	142,559	26,894	96,961 (2)	6.60%	5/15/2017-2019
1998 Refunding	1999	139,965	125,385	40,306 (1)	5.25%	5/15/2016-2025
1998A Refunding	1999	105,350	11,623	18,001 (2)	4.25%	5/15/2016-2020
			<u>\$ 166,551</u>			

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

(2) Interest requirements include accreted interest

Combined Utility Systems Debt -- Tax Exempt Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed \$400,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2015, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch). The notes are in denominations of \$100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

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

At September 30, 2015, Austin Energy had outstanding tax exempt commercial paper notes of \$26,905,000 and Austin Water Utility had \$168,535,000 of commercial paper notes outstanding with interest ranging from 0.01% to 0.11%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 12%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	Bank of Tokyo Mitsubishi	0.41%	Goldman Sachs	0.05%	\$ 195,440	10/15/2017

These notes are payable at maturity to the holder at a price equal to principal plus accrued interest. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the "taxable notes") in an aggregate principal amount not to exceed \$50,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2015, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch).

The taxable notes are issued in denominations of \$100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2015, Austin Energy had outstanding taxable commercial paper notes of \$5,142,000 (net of discount of \$671) with interest rates ranging from 0.16% to 0.17%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The associated letter of credit agreement has the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	Citibank	0.28%	Goldman Sachs	0.05%	\$ 5,142	10/15/2017

These taxable notes are payable at maturity to the holder at a price equal to the par value of the note. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by Citibank, NA and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The taxable notes are secured by a direct-pay Letter of Credit issued by Citibank, NA which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the Ordinance. A 36-month term loan feature is provided by this agreement.

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Energy. Bond ratings at September 30, 2015, were A1 (Moody's Investors Service, Inc.), AA- (Standard & Poor's), and AA- (Fitch).

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

Electric Utility System Revenue Debt -- Revenue Bond Refunding Issues – In May 2015, the City issued \$327,845,000 of Electric Utility System Revenue Refunding Bonds, Series 2015A. The net proceeds of \$371,431,085 (after issue costs, discounts, and premiums) from the bond refunding were used to refund \$160,000,000 of the City's outstanding tax-exempt commercial paper issued for the electric utility system; \$123,200,000 of separate lien refunding bonds, series 2006, \$68,340,000 of separate lien refunding bonds, series 2008A and \$1,320,000 of separate lien refunding bonds, series 2010A. The debt service requirements on the refunding bonds are \$643,402,297, with interest rates at 5.0%. Interest payments are due May 15 and November 15 of each year from 2015 to 2045. Principal payments are due November 15 of each year from 2021 to 2038 and November 15 of each year from 2041 to 2045. An economic gain of \$12,414,968 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$12,917,111. An accounting loss of \$14,286,042, which will be deferred and amortized, was recorded on this refunding.

In May 2015, the City issued \$81,045,000 of Electric Utility System Revenue Refunding Bonds, Taxable Series 2015B. The net proceeds of \$80,731,432 (after issue costs, discounts, and premiums) from the bond refunding were used to refund \$32,700,000 of the City's outstanding taxable commercial paper notes issued for the electric utility system and \$44,700,000 of separate lien revenue refunding bonds, series 2006A. The debt service requirements on the refunding bonds are \$111,560,328, with interest rates ranging from 1.1% to 4.7%. Interest payments are due May 15 and November 15 of each year from 2015 to 2037. Principal payments are due November 15 of each year from 2017 to 2037. An economic gain of \$2,912,672 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$3,029,940. An accounting loss of \$2,666,670, which will be deferred and amortized, was recorded on this refunding.

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2015 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2002A Refunding	2002	\$ 172,880	25,775	1,436 (1)	5.50%	11/15/2015-2016
2006 Refunding	2006	150,000	3,800	95 (1)	5.00%	11/15/2015
2006A Refunding	2007	137,800	15,110	596 (1)	5.00%	11/15/2015-2016
2007 Refunding	2007	146,635	39,840	6,449 (1)	5.00%	11/15/2015-2020
2008 Refunding	2008	50,000	42,860	28,267 (1)	5.20 - 6.26%	11/15/2015-2032
2008A Refunding	2008	175,000	105,660	96,170 (1)	4.00 - 6.00%	11/15/2015-2038
2010A Refunding	2010	119,255	103,735	61,326 (1)	4.00 - 5.00%	11/15/2015-2040
2010B Refunding	2010	100,990	100,990	92,973 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	267,770	190,936 (1)	2.50 - 5.00%	11/15/2016-2040
2012B Refunding	2013	107,715	107,715	24,471 (1)	0.67 - 3.16%	11/15/2015-2027
2015A Refunding	2015	327,845	327,845	315,557 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	81,045	30,515 (1)	1.11 - 4.66%	11/15/2017-2037
			<u>\$ 1,222,145</u>			

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

Electric Utility System Revenue Debt -- Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2015 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
\$ 1,359,097	978,283	380,814	106,921	3.56

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation.

(3) Excludes other postemployment benefits and net pension liability accruals.

6 – DEBT AND NON-DEBT LIABILITIES, continued

c -- Business-Type Activities Long-Term Liabilities, continued

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue Austin Water Utility revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Austin Water Utility. Bond ratings at September 30, 2015, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues - In July 2015, the City issued \$249,145,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2015A. The net proceeds of \$283,277,706 (after issue costs, discounts, and premiums) from the bond refunding were used to refund \$154,875,000 of the City's separate lien revenue refunding bonds, series 2005; \$5,205,000 of the City's separate lien revenue refunding bonds, series 2005A; \$63,880,000 of the City's separate lien revenue refunding bonds, series 2006A and \$47,585,000 of the City's separate lien revenue refunding bonds, series 2007. The debt service requirements on the refunding bonds are \$128,135,691 with interest rates ranging from 2.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2015 to 2036. Principal payments are due November 15 of each year from 2016 to 2036, and May 15 of each year from 2020 to 2036. An economic gain of \$22,755,334 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$10,740,173. An accounting loss of \$16,993,675, which will be deferred and amortized, was recorded on this refunding.

In July 2015, the City issued \$40,000,000 of Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2015B. The net proceeds of \$39,841,396 (after issue costs, discounts, and premiums) from the bond refunding were used to refund \$34,160,000 of the City's separate lien revenue refunding bonds, series 2006 and \$4,565,000 of the City's separate lien revenue refunding bonds, series 2009A. The debt service requirements on the refunding bonds are \$3,401,691 with interest rates ranging from 0.4% to 2.5%. Interest payments are due May 15 and November 15 of each year from 2015 to 2021. Principal payments are due November 15 of each year from 2017 to 2019, and May 15 of each year from 2016 to 2017 and 2019 to 2021. An economic gain of \$2,700,593 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$1,273,443. An accounting loss of \$2,559,019, which will be deferred and amortized, was recorded on this refunding.

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

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2015 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2002A Refunding	2002	\$ 139,695	29,120	1,623 (1)	5.50%	11/15/2015-2016
2004A Refunding	2005	165,145	14,010	2,811 (1)	5.00%	11/15/2015-2019
2005 Refunding	2005	198,485	320	6 (1)	4.00%	11/15/2015
2006 Refunding	2006	63,100	5,510	285 (1)	5.00%	11/15/2015-2016
2006A Refunding	2007	135,000	53,780	25,000 (1)	3.50 - 5.00%	11/15/2015-2032
2007 Refunding	2008	135,000	72,530	60,396 (1)	4.40 - 5.25%	11/15/2015-2037
2008 Refunding	2008	170,605	115,695	42,650 (2)	0.01 - 0.13%	11/15/2015-2031 (3)
2009 Refunding	2009	175,000	149,825	62,527 (1)	4.00 - 5.13%	11/15/2015-2029
2009A Refunding	2010	166,575	147,650	107,586 (1)	4.00 - 5.00%	11/15/2015-2039
2010	2010	31,815	28,625	-- (4)	0.00%	11/15/2015-2041
2010A Refunding	2011	76,855	74,160	59,041 (1)	4.00 - 5.13%	11/15/2015-2040
2010B Refunding	2011	100,970	100,970	87,749 (1)	2.49 - 6.02%	11/15/2015-2040
2011 Refunding	2012	237,530	237,030	172,658 (1)	2.00 - 5.00%	11/15/2015-2041
2011 Revenue	2012	18,485	18,485	2,535 (5)	2.50 - 2.80%	12/01/2015-2016
2011 Revenue	2012	2,332	2,333	298 (5)	2.50 - 2.80%	12/01/2015-2016
2012 Refunding	2012	336,820	311,415	196,276 (1)	2.50 - 5.00%	11/15/2015-2042
2013A Refunding	2013	282,460	282,460	205,187 (1)	3.00 - 5.00%	11/15/2015-2043
2014 Refunding	2014	282,205	282,205	236,723 (1)	4.00 - 5.00%	5/15/2018-2043
2015A Refunding	2015	249,145	249,145	128,136 (1)	2.00 - 5.00%	11/15/2016-2036
2015B Refunding	2015	40,000	40,000	3,402 (1)	0.40 - 2.54%	5/15/2016-2021
			<u>\$ 2,215,268</u>			

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

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.60% in effect at the end of the fiscal year.

(3) Series matures on May 15 of the final year.

(4) Zero interest bond placed with Texas Water Development Board.

(5) Special Assessment Revenue Bonds.

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

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008	Citibank	0.28%	Goldman Sachs	0.05%	<u>\$ 115,695</u>	10/15/2018

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity providers and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

Water and Wastewater System Revenue Debt -- Pledged Revenues - The net revenue of Austin Water Utility was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2015 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (4)
\$ 517,253	208,307	308,946	221,310	1.40

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation.

(3) Excludes other postemployment benefits and net pension liability accruals.

(4) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

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

Airport -- Revenue Bonds - The City's Airport Fund issues airport system revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. At September 30, 2015, the total airport system obligation for prior lien bonds is \$538,259,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are \$329,418,034 at September 30, 2015. Revenue bonds authorized and unissued amount to \$735,795,000.

Airport System Revenue Debt -- Revenue Bond Issue - In January 2015, the City issued \$244,495,000 of Airport System Revenue Bonds, Series 2014. The net proceeds of \$216,378,075 (after issue costs, discounts, and premiums) from the issuance are being used for designing and constructing improvements to Austin-Bergstrom International Airport. Interest is payable May 15 and November 15 of each year from 2015 to 2044, commencing on May 15, 2015. Principal payments are due November 15 of each year from 2026 to 2044. Total interest requirements for this obligation, at a rate of 5%, are \$272,662,118.

The bond rating at September 30, 2015, for the revenue bonds is A (Standard & Poor's) and A1 (Moody's Investors Service, Inc.).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2015 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2008 (1)	\$ 281,300	198,750	49,521 (2)	0.03 - 0.14%	11/15/2015-2025
2013 Revenue	2013	60,000	60,000	10,538 (3)	2.25%	11/15/2015-2028 (4)
2013A Refunding	2014	35,620	35,014	1,111 (3)	1.56%	11/15/2015-2018
2014 Revenue	2015	244,495	244,495	268,248 (3)	5.00%	11/15/2026-2044
			<u>\$ 538,259</u>			

(1) Series was remarketed in 2008.

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 4.05% in effect at the end of the fiscal year.

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

(4) Series matures on May 15 of the final year.

The Series 2005 refunding bonds that were remarketed in 2008 are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of \$198,750,000. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2005-1	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	\$ 49,700	10/15/2018
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	49,650	10/15/2018
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	49,700	10/15/2018
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	49,700	10/15/2018
					<u>\$ 198,750</u>	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series beginning on the first business day of the month six months following the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2015. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

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

Airport Revenue Debt -- Pledged Revenues - The net revenue of the Airport Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2015 (in thousands):

Gross Revenue (1)	Other Available Funds (2)	Operating Expense (3)(4)	Net Revenue and Other Available Funds	Debt Service Requirement (5)	Revenue Bond Coverage
\$ 120,780	3,551	76,995	47,336	14,205	3.33

(1) Gross revenue includes revenues from operations and interest income.

(2) Pursuant to the bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage not to exceed 25% of the debt service requirements.

(3) Excludes depreciation.

(4) Excludes other postemployment benefits and net pension liability accruals.

(5) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.

Nonmajor Fund Debt:

Convention Center -- Prior and Subordinate Lien Revenue Refunding Bonds - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2015, the total convention center obligation for prior and subordinate lien bonds is \$171,740,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are \$48,434,503 at September 30, 2015. Revenue bonds authorized and unissued amount to \$760,000 at September 30, 2015.

Bond ratings at September 30, 2015, for the revenue bonds and subordinate lien bonds were, respectively, AA3 and A1 (Moody's Investors Service, Inc.), and AA- and A (Standard & Poor's).

The following table summarizes Convention Center refunding revenue bonds outstanding at September 30, 2015 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2005	\$ 36,720	32,020	13,301 (1)	4.00 - 5.00%	11/15/2015-2029
2008AB Refunding	2008	125,280	98,345	24,875 (2)	0.02 - 0.13%	11/15/2015-2029
2012 Refunding	2012	20,185	18,875	7,426 (1)	2.00 - 5.00%	11/15/2015-2029
2013 Refunding	2014	26,485	22,500	2,832 (1)	4.00 - 5.00%	11/15/2015-2019
			<u>\$ 171,740</u>			

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

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.25% in effect at the end of the fiscal year.

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

The Series 2008 A and B refunding bonds are variable rate demand bonds. The associated letter of credit agreements have the following terms (in thousands):

<u>Bond Sub-Series</u>	<u>Liquidity Provider</u>	<u>Commitment Fee Rate</u>	<u>Remarketing Agent</u>	<u>Remarketing Fee Rate</u>	<u>Outstanding</u>	<u>Expiration</u>
2008-A	JPMorgan Chase Bank, NA	0.42%	Raymond James	0.06%	\$ 49,170	10/1/2017
2008-B	JPMorgan Chase Bank, NA	0.42%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	49,175	10/1/2017
					<u>\$ 98,345</u>	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2015. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

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

Fiscal Year Ended September 30	Governmental Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 56,673	41,894	6,317	6,273	10,727	3,332
2017	57,769	39,806	6,599	6,051	10,539	3,071
2018	55,551	37,572	6,887	5,820	12,064	2,744
2019	57,003	35,360	7,174	5,579	10,942	2,367
2020	58,911	33,084	7,396	5,334	9,055	2,044
2021-2025	313,483	123,825	42,194	22,333	21,882	6,984
2026-2030	270,290	57,589	38,524	13,833	18,310	2,825
2031-2035	108,585	11,832	27,437	6,803	4,100	207
2036-2040	--	--	14,700	2,179	--	--
2041-2045	--	--	2,235	95	--	--
	<u>978,265</u>	<u>380,962</u>	<u>159,463</u>	<u>74,300</u>	<u>97,619</u>	<u>23,574</u>
Less: Unamortized bond discounts	(197)	--	--	--	(7)	--
Add: Unamortized bond premiums	52,612	--	5,887	--	4,784	--
Net debt service requirements	<u>1,030,680</u>	<u>380,962</u>	<u>165,350</u>	<u>74,300</u>	<u>102,396</u>	<u>23,574</u>

Fiscal Year Ended September 30	Total Governmental Debt Service Requirements		
	Principal	Interest	Total
2016	73,717	51,499	125,216
2017	74,907	48,928	123,835
2018	74,502	46,136	120,638
2019	75,119	43,306	118,425
2020	75,362	40,462	115,824
2021-2025	377,559	153,142	530,701
2026-2030	327,124	74,247	401,371
2031-2035	140,122	18,842	158,964
2036-2040	14,700	2,179	16,879
2041-2045	2,235	95	2,330
	<u>1,235,347</u>	<u>478,836</u>	<u>1,714,183</u>
Less: Unamortized bond discounts	(204)	--	(204)
Add: Unamortized bond premiums	63,283	--	63,283
Net debt service requirements	<u>\$ 1,298,426</u>	<u>478,836</u>	<u>1,777,262</u>

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

Fiscal Year Ended September 30	Business-type Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 4,354	1,209	1,503	1,475	13,748	1,339
2017	3,406	1,017	1,556	1,434	11,437	1,039
2018	3,725	869	1,623	1,386	10,385	738
2019	3,171	715	1,696	1,343	8,510	448
2020	3,118	587	1,763	1,299	6,129	214
2021-2025	9,193	994	10,176	5,627	2,988	84
2026-2030	--	--	12,664	3,427	--	--
2031-2035	--	--	6,173	1,078	--	--
2036-2040	--	--	1,420	172	--	--
2041-2045	--	--	--	--	--	--
2046-2050	--	--	--	--	--	--
	<u>26,967</u>	<u>5,391</u>	<u>38,574</u>	<u>17,241</u>	<u>53,197</u>	<u>3,862</u>
Less: Unamortized bond discounts	(9)	--	--	--	--	--
Add: Unamortized bond premiums	1,894	--	2,121	--	1,489	--
Net debt service requirements	<u>28,852</u>	<u>5,391</u>	<u>40,695</u>	<u>17,241</u>	<u>54,686</u>	<u>3,862</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)(3)	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	795	342	200,582	22	181,484	196,280
2017	539	469	--	--	178,414	222,556
2018	545	467	--	--	133,517	231,627
2019	456	575	--	--	133,485	203,412
2020	775	258	--	--	167,348	172,721
2021-2025	4,435	771	--	--	978,507	722,216
2026-2030	905	39	--	--	960,035	499,561
2031-2035	--	--	--	--	578,145	323,268
2036-2040	--	--	--	--	604,604	172,360
2041-2045	--	--	--	--	370,025	47,563
2046-2050	--	--	--	--	28,400	710
	<u>8,450</u>	<u>2,921</u>	<u>200,582</u>	<u>22</u>	<u>4,313,964</u>	<u>2,792,274</u>
Less: Unamortized bond discounts	--	--	(1)	--	(2,515)	--
Add: Unamortized bond premiums	--	--	--	--	289,368	--
Net debt service requirements	<u>\$ 8,450</u>	<u>2,921</u>	<u>200,581</u>	<u>22</u>	<u>4,600,817</u>	<u>2,792,274</u>

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

(2) A portion of these bonds are variable rate bonds with rates ranging from 0.01% to 0.14%.

(3) Portions of these bonds are Special Assessment Revenue Bonds.

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

Business-type Activities, continued
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2016	\$ 49	76	402,515	200,743	603,258
2017	52	74	195,404	226,589	421,993
2018	54	71	149,849	235,158	385,007
2019	57	68	147,375	206,561	353,936
2020	60	65	179,193	175,144	354,337
2021-2025	351	277	1,005,650	729,969	1,735,619
2026-2030	449	179	974,053	503,206	1,477,259
2031-2035	17	4	584,335	324,350	908,685
2036-2040	--	--	606,024	172,532	778,556
2041-2045	--	--	370,025	47,563	417,588
2046-2050	--	--	28,400	710	29,110
	<u>1,089</u>	<u>814</u>	<u>4,642,823</u>	<u>2,822,525</u>	<u>7,465,348</u>
Less: Unamortized bond discounts	--	--	(2,525)	--	(2,525)
Add: Unamortized bond premiums	--	--	294,872	--	294,872
Net debt service requirements	<u>\$ 1,089</u>	<u>814</u>	<u>4,935,170</u>	<u>2,822,525</u>	<u>7,757,695</u>

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

Business-type Activities: Austin Energy
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Commercial Paper Notes (1)		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 122	11	32,047	--	65,132	62,600
2017	127	9	--	--	44,278	61,128
2018	115	7	--	--	39,376	59,398
2019	109	4	--	--	41,632	54,834
2020	50	3	--	--	47,368	53,011
2021-2025	4	--	--	--	262,241	232,110
2026-2030	--	--	--	--	270,520	167,358
2031-2035	--	--	--	--	196,510	111,435
2036-2040	--	--	--	--	195,310	61,520
2041-2045	--	--	--	--	125,910	23,165
2046-2050	--	--	--	--	28,400	710
	<u>527</u>	<u>34</u>	<u>32,047</u>	<u>--</u>	<u>1,316,677</u>	<u>887,269</u>
Less: Unamortized bond discounts	--	--	(1)	--	(390)	--
Add: Unamortized bond premiums	2	--	--	--	94,356	--
Net debt service requirements	<u>529</u>	<u>34</u>	<u>32,046</u>	<u>--</u>	<u>1,410,643</u>	<u>887,269</u>

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2016	49	76	97,350	62,687	160,037
2017	52	74	44,457	61,211	105,668
2018	54	71	39,545	59,476	99,021
2019	57	68	41,798	54,906	96,704
2020	60	65	47,478	53,079	100,557
2021-2025	351	277	262,596	232,387	494,983
2026-2030	449	179	270,969	167,537	438,506
2031-2035	17	4	196,527	111,439	307,966
2036-2040	--	--	195,310	61,520	256,830
2041-2045	--	--	125,910	23,165	149,075
2046-2050	--	--	28,400	710	29,110
	<u>1,089</u>	<u>814</u>	<u>1,350,340</u>	<u>888,117</u>	<u>2,238,457</u>
Less: Unamortized bond discounts	--	--	(391)	--	(391)
Add: Unamortized bond premiums	--	--	94,358	--	94,358
Net debt service requirements	<u>\$ 1,089</u>	<u>814</u>	<u>1,444,307</u>	<u>888,117</u>	<u>2,332,424</u>

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

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

Business-type Activities: Austin Water Utility
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,029	123	1,761	177	509	219
2017	856	75	1,556	135	345	300
2018	599	35	1,326	96	349	299
2019	101	7	1,062	59	292	368
2020	64	5	746	30	496	165
2021-2025	49	3	432	14	2,840	494
2026-2030	--	--	--	--	579	25
2031-2035	--	--	--	--	--	--
2036-2040	--	--	--	--	--	--
2041-2045	--	--	--	--	--	--
	<u>2,698</u>	<u>248</u>	<u>6,883</u>	<u>511</u>	<u>5,410</u>	<u>1,870</u>
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	158	--	204	--	--	--
Net debt service requirements	<u>2,856</u>	<u>248</u>	<u>7,087</u>	<u>511</u>	<u>5,410</u>	<u>1,870</u>

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds (2) (3)		Total Austin Water Utility Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	168,535	22	86,261	105,685	258,095	106,226	364,321
2017	--	--	100,046	134,277	102,803	134,787	237,590
2018	--	--	57,792	146,003	60,066	146,433	206,499
2019	--	--	54,484	123,732	55,939	124,166	180,105
2020	--	--	80,160	96,389	81,466	96,589	178,055
2021-2025	--	--	533,216	394,294	536,537	394,805	931,342
2026-2030	--	--	550,270	267,924	550,849	267,949	818,798
2031-2035	--	--	327,860	165,796	327,860	165,796	493,656
2036-2040	--	--	340,674	80,031	340,674	80,031	420,705
2041-2045	--	--	156,525	13,022	156,525	13,022	169,547
	<u>168,535</u>	<u>22</u>	<u>2,287,288</u>	<u>1,527,153</u>	<u>2,470,814</u>	<u>1,529,804</u>	<u>4,000,618</u>
Less: Unamortized bond discounts	--	--	(1,586)	--	(1,586)	--	(1,586)
Add: Unamortized bond premiums	--	--	162,769	--	163,131	--	163,131
Net debt service requirements	<u>\$ 168,535</u>	<u>22</u>	<u>2,448,471</u>	<u>1,527,153</u>	<u>2,632,359</u>	<u>1,529,804</u>	<u>4,162,163</u>

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

(2) Portions of these bonds are variable rate bonds with rates of 0.01% to 0.13%.

(3) Portions of these bonds are Special Assessment Revenue Bonds.

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

Business-type Activities: Airport
(in thousands)

Fiscal Year Ended September 30	General Obligation		Revenue Bonds (1)	
	Bonds			
	Principal	Interest	Principal	Interest
2016	\$ 24	3	18,351	21,616
2017	24	2	21,940	21,211
2018	21	1	23,744	20,757
2019	20	1	24,249	19,897
2020	10	--	26,135	18,933
2021-2025	3	--	134,060	79,919
2026-2030	--	--	79,795	58,863
2031-2035	--	--	53,775	46,037
2036-2040	--	--	68,620	30,809
2041-2045	--	--	87,590	11,376
	<u>102</u>	<u>7</u>	<u>538,259</u>	<u>329,418</u>
Less: Unamortized bond discounts	--	--	(370)	--
Add: Unamortized bond premiums	3	--	28,209	--
Net debt service requirements	<u>105</u>	<u>7</u>	<u>566,098</u>	<u>329,418</u>

Fiscal Year Ended September 30	Total Airport		
	Debt Service Requirements		
	Principal	Interest	Total
2016	18,375	21,619	39,994
2017	21,964	21,213	43,177
2018	23,765	20,758	44,523
2019	24,269	19,898	44,167
2020	26,145	18,933	45,078
2021-2025	134,063	79,919	213,982
2026-2030	79,795	58,863	138,658
2031-2035	53,775	46,037	99,812
2036-2040	68,620	30,809	99,429
2041-2045	87,590	11,376	98,966
	<u>538,361</u>	<u>329,425</u>	<u>867,786</u>
Less: Unamortized bond discounts	(370)	--	(370)
Add: Unamortized bond premiums	28,212	--	28,212
Net debt service requirements	<u>\$ 566,203</u>	<u>329,425</u>	<u>895,628</u>

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.03% to 0.14%.

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

Business-type Activities: Nonmajor Enterprise
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,179	1,072	1,503	1,475	11,987	1,162
2017	2,399	931	1,556	1,434	9,881	904
2018	2,990	826	1,623	1,386	9,059	642
2019	2,941	703	1,696	1,343	7,448	389
2020	2,994	579	1,763	1,299	5,383	184
2021-2025	9,137	991	10,176	5,627	2,556	70
2026-2030	--	--	12,664	3,427	--	--
2031-2035	--	--	6,173	1,078	--	--
2036-2040	--	--	1,420	172	--	--
	<u>23,640</u>	<u>5,102</u>	<u>38,574</u>	<u>17,241</u>	<u>46,314</u>	<u>3,351</u>
Less: Unamortized bond discounts	(9)	--	--	--	--	--
Add: Unamortized bond premiums	1,731	--	2,121	--	1,285	--
Net debt service requirements	<u>25,362</u>	<u>5,102</u>	<u>40,695</u>	<u>17,241</u>	<u>47,599</u>	<u>3,351</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Revenue Bonds (1)		Total Nonmajor Enterprise Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	286	123	11,740	6,379	28,695	10,211	38,906
2017	194	169	12,150	5,940	26,180	9,378	35,558
2018	196	168	12,605	5,469	26,473	8,491	34,964
2019	164	207	13,120	4,949	25,369	7,591	32,960
2020	279	93	13,685	4,388	24,104	6,543	30,647
2021-2025	1,595	277	48,990	15,893	72,454	22,858	95,312
2026-2030	326	14	59,450	5,416	72,440	8,857	81,297
2031-2035	--	--	--	--	6,173	1,078	7,251
2036-2040	--	--	--	--	1,420	172	1,592
	<u>3,040</u>	<u>1,051</u>	<u>171,740</u>	<u>48,434</u>	<u>283,308</u>	<u>75,179</u>	<u>358,487</u>
Less: Unamortized bond discounts	--	--	(169)	--	(178)	--	(178)
Add: Unamortized bond premiums	--	--	4,034	--	9,171	--	9,171
Net debt service requirements	<u>\$ 3,040</u>	<u>1,051</u>	<u>175,605</u>	<u>48,434</u>	<u>292,301</u>	<u>75,179</u>	<u>367,480</u>

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.02% to 0.13%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
e -- Defeased Bonds

Over time, the City has issued refunding bonds to advance refund certain public improvement bonds, certificates of obligation, and enterprise revenue bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in an amount necessary to accomplish the discharge and final payment of the refunded obligations. These funds are held by the escrow agent in an escrow fund and used to purchase direct obligations of the United States of America to be held in the escrow fund. The escrow fund is irrevocably pledged to the payment of the principal and interest on the refunded obligations.

On September 30, 2015, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity	Balance (1)
General Obligation		
HUD 108 Loan, Series 2006A	8/1/2016	\$ 525
HUD 108 Loan, Series 2010A	8/1/2016	270
Austin Water Utility		
Series 2005	11/15/2015	154,875
Series 2006	11/15/2016	34,160
Series 2006A	11/15/2016	63,880
Series 2007	11/15/2017	47,585
Series 2009A	11/15/2018	4,565
Austin Energy		
Series 2006	11/15/2016	123,200
Series 2006A	11/15/2015	44,700
Series 2008A	11/15/2018	68,340
Series 20010A	11/15/2016	1,320
		<u>\$ 543,420</u>

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

7 – RETIREMENT PLANS

a -- General Information

Plan Description. The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund (City Employees), the City of Austin Police Officers' Retirement and Pension Fund (Police Officers), and the Fire Fighters' Relief and Retirement Fund of Austin, Texas (Fire Fighters). An Independent Board of Trustees administers each plan. These plans are City-wide single employer funded plans each with a fiscal year end of December 31.

All three plans were created by state law and can be found in Vernon's Texas Civil Statutes as follows:

City Employees' Fund	Article 6243n
Police Officers' Fund	Article 6243n-1
Fire Fighters' Fund	Article 6243e.1

State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Plan Financial Statements. The most recently available financial statements of the pension funds are for the year ended December 31, 2014. Stand-alone financial reports that include financial statements and supplementary information for each plan are publicly available at the locations and internet addresses shown below.

Plan	Address	Telephone
City of Austin Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752-3720 www.coaers.org	(512)458-2551
City of Austin Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 Austin, Texas 78704 www.ausprs.org	(512)416-7672
Fire Fighters' Relief and Retirement Fund of Austin, Texas	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 www.afrs.org	(512)454-9567

Classes of Employees Covered. The three pension plans cover substantially all full-time employees. The City Employees' fund covers all regular, full-time employees working 30 hours or more except for civil service police officers and fire fighters. Membership in this fund is comprised of two tiers. Group A includes all employees hired before January 1, 2012. Group B includes all employees hired on or after this date. The Police Officers' fund covers all commissioned law enforcement officers and cadets upon enrollment in the Austin Police Academy. The Fire Fighters' fund covers all commissioned civil service and Texas state-certified fire fighters with at least six months of service employed by the Austin Fire Department.

Benefits Provided. Each plan provides service retirement, death, and disability benefits as shown in the following chart. For the City Employees' fund, vesting occurs after 5 years of creditable service. For the other two systems, vesting occurs after 10 years of creditable service. For all three systems, creditable service includes employment at the City plus purchases of certain types of service where applicable. Withdrawals from the systems include actual contributions plus interest at varying rates depending on the system. This applies to both non-vested employees who leave the City as well as vested employees who leave the City and wish to withdraw their contributions. In addition, each plan offers various Deferred Retirement Option Programs (DROP). These are not included in the discussion of benefits provided.

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

	City Employees	Police Officers	Fire Fighters
Eligibility	Group A members qualify for retirement benefits at age 62; age 55 with 20 years creditable service; or any age with 23 years creditable service. No reduced benefits are available. Group B members qualify for normal retirement benefits at age 65 with 5 years creditable service or at age 62 with 30 years creditable service. Reduced benefits are available at age 55 with 10 years of creditable service.	Members are eligible for retirement benefits at any age with 23 years creditable service (excluding pre-membership military service), age 55 and 20 years creditable service (excluding pre-membership military service), or age 62 and any number of creditable service years.	Members are eligible for normal retirement benefits upon the earlier of age 50 with 10 years of service or 25 years of service regardless of age. Members are eligible for early retirement at 45 with 10 years of service or with 20 years of service regardless of age.
Calculation	Average of 36 highest months of base pay multiplied by years and months of creditable service multiplied by 3.0% for Group A and 2.5% for Group B.	Average of 36 highest months of base salary plus longevity pay multiplied by years and months of service multiplied by 3.2%.	Average of 36 highest months of base salary plus longevity pay multiplied by years of service multiplied by 3.3% with a \$2,000 monthly minimum.
Death Benefits	Retiree or active member eligible for retirement, \$10,000 lump sum and continuation of benefits to beneficiary if this option was selected. If not eligible for retirement, refund of accumulated deposits plus death benefit from COAERS equal to those deposits excluding purchases of time.	For retirees and members eligible for retirement, \$10,000 lump sum and the member's accrued benefit as of the date of death based on annuity selected. Non-vested members receive the greater of \$10,000 or twice the amount of the member's accumulated contributions.	Surviving spouse receives 75% of retiree benefits based the greater of 20 years or years of service at time of death. If surviving spouse exists, each dependent receives 15% of the payment paid to the surviving spouse. If no surviving spouse exists, dependents split equally the amount that would have been paid to surviving spouse.
Disability Benefits	After approved for disability benefits, active members may choose from several different disability retirement options. Must have 5 years of service if disability is not job related.	After approved for disability benefits, if disability is the result of employment duties, benefit is based on the greater of 20 years or normal retirement calculation. Must have 10 years of service if disability is not job related.	For the first 30 months, eligible for retiree benefits based on the greater of service at time of disability or 20 years. After 30 months, continuance of annuity may be reevaluated.
Cost of Living Adjustments (COLA)	The plan does not require COLAs. Such increases must be deemed sustainable by the actuary and approved by the City Council and Board of Trustees of the fund. The most recent COLA was put into effect in 2002.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect in 2007.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect for 2015.

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

Employees Covered by Benefit Terms: Membership in the plans, is as follows:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
As of December 31:	2014	2013	2013
Inactive employees or beneficiaries			
currently receiving benefits	5,396	683	640
Inactive employees entitled to but			
not yet receiving benefits	2,303	26	5
Active employees	9,028	1,732	1,074
Total	<u>16,727</u>	<u>2,441</u>	<u>1,719</u>

Contributions. For all three systems, minimum contributions are determined by the enabling legislation cited above. In certain cases the City may contribute at a level greater than that stated in the law. While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted.

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Employee contribution			
(percent of earnings)	8.00%	13.00%	17.70% (1)
City contribution			
(percent of earnings)	18.00% (2)	21.63% (3)	22.05%
City contributions year ended			
September 30, 2015 (in			
thousands)	\$97,655	32,942	18,327

(1) A rate of 18.20% was effective October 1, 2015.

(2) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 18% was effective October 1, 2012.

(3) A rate of 21.313% was effective October 1, 2015.

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

The City's net pension liability was measured as of December 31, 2014 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the City Employees' fund. For the other two systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 using the final 2014 assumptions and then was rolled forward to the plan's year ending December 31, 2014.

Actuarial Assumptions. Actuarial assumptions used in the most recent actuarial valuations include:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Inflation Rate	3.25%	3.25%	3.50%
Projected Annual Salary Increases	4.5% to 6.0%	Services based	Services based
Investment Rate of Return	7.75%	7.90%	7.70%
Ad Hoc Postemployment Benefit Changes including COLAs	None	None	None
Dates of Experience Studies	2007 - 2011	2012 - 2013	2004 - 2014
Source for Mortality Assumptions	RP-2000 Mortality Table with White Collar adjustment and multipliers of 110% for males and 120% for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.	RP-2000 Combined Healthy without projection - Sex Distinct.	RP2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct.

Development of Long-Term Rate of Return on Investments. Each pension plan utilizes different asset allocations and assumed rates of return in developing the long-term rate of return on investments. However all three use the same methodology as follows:

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The following provides asset allocations and long-term expected real rate of return for each asset class for the three funds.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
City Employees:		
International Equity	31.55%	8.03%
US Equity	31.01%	5.05%
Fixed Income	24.50%	0.80%
Alternative Investments	7.50%	5.18% to 8.65%
Real Estate	5.44%	5.61%
Total	100.00%	
Police Officers:		
Domestic Equity	43.50%	7.50%
International Equity	21.00%	8.50%
Real Estate	20.00%	4.50%
Domestic Bonds	9.00%	2.50%
International Bonds	6.50%	3.50%
Total	100.00%	
Fire Fighters:		
Public Domestic Equity	22.50%	5.00%
Public Foreign Equity	22.50%	5.90%
Private Equity Fund of Funds	15.00%	7.00%
Investment Grade Bonds	16.00%	0.70%
Hedge Funds	10.00%	2.90%
Core Real Estate	5.00%	3.70%
Value Real Estate	5.00%	5.20%
Treasury Inflation Protected Securities	4.00%	1.20%
Total	100.00%	

Discount Rate. The following provides information on the discount rate used to measure the City's total pension liability. Based on the assumptions presented below, the fiduciary net position for all three pension funds was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	City Employees	Police Officers	Fire Fighters
Single Discount Rate	7.75%	7.90%	7.70%
Change Since Last Measurement Date	None	None	None
Long-term Expected Rate of Return on Pension Plan Investments	7.75%	7.90% (1)	7.70% (2)
Cash Flow Assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the the current rate for 24 years and then will decrease to 8%.	Both plan member contributions and City contributions will be made at current contribution rates.	Both plan member contributions and City contributions will be made at current contribution rates.

(1) – The investment return assumption used for the prior year's actuarial valuation was 8.00% for Police Officers.

(2) – The investment return assumption used for the prior year's actuarial valuation was 7.75% for Fire Fighters.

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

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

	<u>1% Decrease</u>		<u>Current Discount</u>		<u>1% Increase</u>	
	Net Pension		Net Pension		Net Pension	
	Rate	Liability	Rate	Liability	Rate	Liability (Asset)
City Employees	6.75%	\$ 1,250,122	7.75%	\$ 884,256	8.75%	\$ 576,554
Police Officers	6.90%	446,103	7.90%	333,604	8.90%	238,082
Fire Fighters	6.70%	179,082	7.70%	72,035	8.70%	(17,038)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of each of the pension systems. These reports are available as explained in General Information (part a) of this footnote.

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

Schedule of Changes in Net Pension Liability. Changes in net pension liability for all three funds and the City for the measurement period ended December 31, 2014 are as follows (in thousands):

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Total Pension Liability at December 31, 2013 (a)	<u>\$ 2,909,918</u>	<u>909,000</u>	<u>806,282</u>	<u>4,625,200</u>
Changes for the year:				
Service Cost	89,235	30,254	25,319	144,808
Interest	222,710	72,443	62,977	358,130
Benefit Changes	--	(11,015)	--	(11,015)
Differences between Expected and Actual Experience	33,911	--	--	33,911
Assumption Changes	--	14,137	4,883	19,020
Contribution Buy Back	--	2,207	--	2,207
Benefit Payments including refunds	<u>(161,718)</u>	<u>(45,403)</u>	<u>(37,993)</u>	<u>(245,114)</u>
Net Change in Total Pension Liability	<u>184,138</u>	<u>62,623</u>	<u>55,186</u>	<u>301,947</u>
Total Pension Liability at December 31, 2014 (b)	<u>\$ 3,094,056</u>	<u>971,623</u>	<u>861,468</u>	<u>4,927,147</u>
Total Plan Fiduciary Net Position at December 31, 2013 (c)	<u>\$ 2,130,624</u>	<u>595,110</u>	<u>752,622</u>	<u>3,478,356</u>
Changes for the year:				
Employer Contributions	93,331	32,400	18,670	144,401
Employee Contributions	50,490	19,458	14,660	84,608
Contributions Buy Back	--	2,207	--	2,207
Pension Plan Net Investment Income	99,704	35,574	42,005	177,283
Benefits Payments and Refunds	<u>(161,718)</u>	<u>(45,403)</u>	<u>(37,993)</u>	<u>(245,114)</u>
Pension Plan Administrative Expense	<u>(2,631)</u>	<u>(1,327)</u>	<u>(531)</u>	<u>(4,489)</u>
Net Change in Total Plan Fiduciary Net Position	<u>79,176</u>	<u>42,909</u>	<u>36,811</u>	<u>158,896</u>
Total Plan Fiduciary Net Position at December 31, 2014 (d)	<u>\$ 2,209,800</u>	<u>638,019</u>	<u>789,433</u>	<u>3,637,252</u>
Net Pension Liability at December 31, 2013 (a-c)	<u>\$ 779,294</u>	<u>313,890</u>	<u>53,660</u>	<u>1,146,844</u>
Net Pension Liability at December 31, 2014 (b-d)	<u>\$ 884,256</u>	<u>333,604</u>	<u>72,035</u>	<u>1,289,895</u>

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

The City Employees' fund had no significant changes of assumptions or other inputs, no changes of benefit terms, and no significant factors that affected measurement of the total pension liability during the measurement period.

The Police Officers' fund had numerous changes in benefits and assumptions that affected the measurement of the total pension liability for the measurement period. In February 2015, the pension board approved the following benefit changes:

- Effective February 18, 2015, eliminate the opportunity to purchase permissive service in conjunction with utilizing the Forward or Retro-DROP,
- Effective April 1, 2015, permissive service credit factors shall be determined based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality,
- Effective April 1, 2015, eliminate Retro-DROP for members with less than 23 years Police Officers' fund service,
- Effective August 1, 2015, the Forward DROP interest rate will be set annually in the same manner as the PROP interest rate, except for those with 23 years of Police Officers' fund service as of July 31, 2015 who will not be affected, and
- Requiring that new hires beginning February 1, 2016 pay the full actuarial costs for purchase of military service.

Changes to assumptions included:

- Decreasing the investment return assumption from 8.00% to 7.90% per year compounded annually, net of expenses,
- Lowering the expected increase in salary due to general wage increased from 3.75% to 3.5%,
- Decreasing the annual assumed interest rate credited to Post Retirement Option Plan (PROP), accounts from 4.00% to 2.25%,
- Reducing the disability rates by one-half,
- Increasing by 25% the retirement rates for members entering the system prior to age 33, and
- Slight modifications to retirement rates due to anticipated future PROP usage.

The Fire Fighters' fund changed a number of assumptions that affected the measurement of the total pension liability for the measurement period.

- The investment return was decreased from 7.75% to 7.70% per year compounded annually, net of expenses.
- The general wage inflation rate was decreased from 3.5% to 3.0%.
- Amendments were made to the service-based table attributable to merit and longevity salary increases, the retirement rates, the Retro-DROP election assumptions, the withdrawal rates, and the assumed spousal age difference assumptions.

This fund had no benefit changes or other significant factors that affected measurement of the total pension liability during the measurement period.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2015, was comprised of the following (in thousands):

	Pension Expense
City Employees	\$ 117,263
Police Officers	30,009
Fire Fighters	20,105
Total	\$ 167,377

7 – RETIREMENT PLANS, continued

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

At September 30, 2015 the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Deferred Outflows of Resources				
Contributions to the plans subsequent to the measurement date	\$ 71,342	24,055	14,069	109,466
Differences between expected and actual experience	27,085	--	--	27,085
Changes in assumptions	--	12,724	4,341	17,065
Net difference between projected and actual earnings on pension plan investments	53,886	9,383	12,597	75,866
Total Deferred Outflows of Resources	<u>\$ 152,313</u>	<u>46,162</u>	<u>31,007</u>	<u>229,482</u>

The portion of deferred outflows of resources that will be recognized in pension expense is as follows (in thousands):

<u>Fiscal Year Ended September 30</u>	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
2016	\$ 20,298	3,759	3,692	27,749
2017	20,297	3,760	3,692	27,749
2018	20,298	3,759	3,692	27,749
2019	20,078	3,760	3,692	27,530
2020	--	1,414	543	1,957
Thereafter	--	5,655	1,627	7,282
Total	<u>\$ 80,971</u>	<u>22,107</u>	<u>16,938</u>	<u>120,016</u>

In addition, in fiscal year 2016 the following amounts of deferred outflows representing deferred contributions will be recognized as a reduction to the net pension liability (in thousands):

City Employees	\$ 71,342
Police Officers	24,055
Fire Fighters	14,069
Total	<u>\$ 109,466</u>

8 – OTHER POSTEMPLOYMENT BENEFITS

a -- Description

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. Other postemployment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other postemployment benefits plan is a single employer plan.

8 – OTHER POSTEMPLOYMENT BENEFITS, continued

a – Description, continued

The City is under no obligation to pay any portion of the cost of other postemployment benefits for retirees or their dependents. Allocation of City funds to pay other postemployment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

The estimated pay-as-you-go cost of providing medical and life benefits was \$39.5 million for 4,431 retirees in 2015 and \$33.3 million for 4,189 retirees in 2014.

b -- Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation

The annual OPEB cost associated with the City's retiree benefits for the fiscal year ended September 30, 2015 is as follows (in thousands):

	OPEB
Annual required contribution	\$ 136,706
Interest on net OPEB obligation	29,077
Adjustment to annual required contribution	(38,867)
Annual OPEB cost	126,916
Contributions made	(39,482)
Change in net OPEB obligation	87,434
Beginning net OPEB obligation	690,265
Net OPEB obligation	<u>\$ 777,699</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years are as follows (in thousands):

Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 132,595	20%	598,687
2014	124,861	27%	690,265
2015	126,916	31%	777,699

c -- Schedule of Funding Progress at September 30, 2015 (in thousands):

Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
\$ --	1,449,238	1,449,238	0%	775,527	186.9%

(1) UAAL - Unfunded Actuarial Accrued Liability

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

8 – OTHER POSTEMPLOYMENT BENEFITS, continued
d -- Actuarial Methods and Assumptions

Projections of benefits are based on the plan in place at the time of the valuation and include the type of benefits provided at the valuation date and the cost sharing pattern between the employer and plan members at that time. The actuarial calculations of the OPEB plan reflect a long-term perspective and utilize actuarial methods and assumptions that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

e -- Funding Policy

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

	OPEB
Actuarial Valuation Date	October 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage Open
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Investment Rate of Return	4.21%
Inflation Rate	N/A
Salary Increase	None
Payroll Increase	None
Health Care Cost Trend Rate	7.0% in 2015, decreasing 0.5% per year for four years to an ultimate trend of 5.0% in 2019

9 – DERIVATIVE INSTRUMENTS

The City has derivatives in two hedging programs: Energy Risk Management Program and Variable Rate Debt Management Program.

In accordance with GAAP, the City is required to report the fair value of all derivative instruments on the statement of net position. All derivatives must be categorized into two basis types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net position, and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, Austin Energy has established a Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, swaps and congestion rights for the purpose of reducing exposure to natural gas, energy and congestion price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

Hedging Derivative Instruments

Natural Gas Derivatives

Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, Western Area Hub Association (WAHA), Katy, and the Houston Ship Channel (HSC).

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

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period. The fair value is calculated by deriving the difference between the closing futures price on the last day of the reporting period and purchase price at the time the positions were established. The fair value of the options are calculated using the Black/Scholes valuation method utilizing implied volatility based on the NYMEX closing settlement prices of the options as of the last day of the reporting period, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2015, \$202 thousand in premiums was deferred. As of September 30, 2015, the fair value of Austin Energy's futures, options, swaps and congestion rights, was an unrealized loss of \$46.2 million, of which \$51.8 million is reported as derivative instruments in liabilities and \$5.6 million is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the statement of net position using deferred outflows and deferred inflows.

Congestion Revenue Rights Derivatives

Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. The instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments.

As of September 30, 2015, PCRRs had a fair value of \$283 thousand and CRRs had a fair value of \$440 thousand, and both are reported as derivative instruments. The market value for CRRs and PCRRs is calculated using the implied market value (the difference between future proxy sink price and source price) multiplied by the number of open positions. The difference in the prices represents what the expected cost of congestion will be for that given point in time.

On September 30, 2015, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction	Reference Index	Maturity Dates	Fair Value at September 30, 2015		Change in Fair Value	Premiums Deferred
			Notional Volumes	Fair Value		
Long OTC Call Options	Henry Hub	Oct 2015 - Dec 2019	16,765,092 (1)	\$ 4,873	1,563	4,799
n/a Congestion Rights	ICE (2)	Oct 2015 - Jun 2017	21,887,691 (3)	723	(4,310)	-
Derivative instruments (assets)				<u>5,596</u>	<u>(2,747)</u>	<u>4,799</u>
Short OTC Call Options	Henry Hub	Apr 2016 - Oct 2016	(1,660,000) (1)	(236)	491	(122)
Short OTC Put Options	Henry Hub	Apr 2016 - Dec 2019	(16,765,000) (1)	(15,122)	(12,259)	(4,475)
Long OTC Swaps	Henry Hub	Oct 2015 - Dec 2019	27,056,631 (1)	(36,393)	(25,573)	-
Derivative instruments (liabilities)				<u>(51,751)</u>	<u>(37,341)</u>	<u>(4,597)</u>
Total				<u>\$ (46,155)</u>	<u>(40,088)</u>	<u>202</u>

(1) Volume in MMBTUs

(2) IntercontinentalExchange

(3) Volume in MWHs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates.

The realized gains and losses related to the hedging activity derivative instruments are netted to fuel expense in the period realized.

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

Risks

Credit Risk. Credit risk is the risk of loss due to a counterparty defaulting on its obligations. Austin Energy's fuel derivative contracts expose Austin Energy to custodial credit risk on Exchange Traded derivative positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the brokerages to fail to meet their obligations given their high credit ratings and the strict and deep credit requirements upheld by NYMEX, of which these brokerage houses are members. At September 30, 2015, the brokerages had credit ratings of A.

The over-the-counter agreements expose Austin Energy to credit risk; however, at September 30, 2015, none of the counterparties had outstanding obligations with Austin Energy. The contractual provisions applied to these contracts under the International Swaps and Derivatives Association (ISDA) agreement include collateral provisions. At September 30, 2015, no collateral was required under these provisions.

The congestion rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default of nonperformance, Austin Energy's operations will not be materially affected. However, Austin Energy does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. Termination risk for exchange-traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission. Austin Energy's exposure to termination risk for over-the counter agreements is minimal due to the high credit rating of the counterparties and the contractual provisions under the ISDA agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivatives up to the fair value of the instrument.

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub). As of September 30, 2015, the NYMEX price was \$2.56 per MMBTU, the WAHA Hub price was \$2.40 per MMBTU, Katy was \$2.52 per MMBTU, and the HSC Hub price was \$2.50 per MMBTU.

Investment Derivative Instruments

On September 30, 2015, Austin Energy had the following closed out investment derivative instruments (in thousands):

Type of Transaction	Reference Index	Fair Value at September 30, 2015			Change in Fair Value
		Maturity Dates	Volumes in MMBTU	Fair Value	
Long OTC Swaps	Henry Hub	Dec-15	155,000	\$ (224)	(226)
Short OTC Swaps	Henry Hub	Dec-15	(155,000)	233	226
				<u>\$ 9</u>	<u>--</u>

At September 30, 2015, Austin Energy recorded an unrealized loss of \$39 thousand on outstanding emission investment instruments.

In fiscal year 2015 Austin Energy sold PCRRs and recorded a gain of \$279 thousand. However, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2015, \$515 thousand remained deferred.

Risks

As of September 30, 2015, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

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

Hedging Derivative Instruments

The intention of each of the City's swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

As of September 30, 2015, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling \$602.1 million and \$412.8 million, respectively. The mark-to-market or fair value for each swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the London Interbank Offered Rate (LIBOR) swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

On September 30, 2015, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date	Notional Amount	Fair Value
Business-Type Activities - Hedging derivatives:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	\$ 115,695	(21,597)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	198,750	(34,229)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive 67% of LIBOR	8/14/2008	11/15/2029	98,345	(14,508)
					<u>\$ 412,790</u>	<u>(70,334)</u>

All swaps are pay-fixed interest rate swaps. All were entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

The fair value of the City's interest rate swap hedging derivative instruments is reported as derivative instruments in liabilities with an offsetting adjustment to deferred outflow of resources. The table below provides for the fair value and changes in fair value of the City's interest rate swap agreements as of September 30, 2015 (in thousands):

Outstanding				Change in fair value	
	Notional	Fair Value and Classification		Deferred	Deferred
Item	Amount	Amount	Classification	Outflows	Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	\$ 115,695	(21,597)	Non-current liability	(6,571)	--
AIR1	198,750	(34,229)	Non-current liability	(1,715)	--
HOT1	98,345	(14,508)	Non-current liability	(2,114)	--
	<u>\$ 412,790</u>	<u>(70,334)</u>		<u>(3,829)</u>	<u>--</u>

Due to the continued low interest rate levels during fiscal year 2015, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2015. The fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received.

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

Risks

Credit risk. As of September 30, 2015, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates change and the fair value of a swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2015, are included in the table below:

			Counterparty Ratings		
			Moody's Investors Service, Inc	Standard & Poor's	Fitch, Inc
Item	Related Variable Rate Bonds	Counterparty			
Business-Type Activities:					
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	A1	A-	A
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, Inc.	A3	A-	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products	A3	BBB+	A

Swap agreements for all three swaps contain collateral agreements with the counterparties. These swap agreements require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreements. For Swap AIR1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P. For Swap HOT1, the credit support provider of MKFP is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

Swap payments and associated debt. The net cash flows for the City's interest rate swap hedging derivative instruments for the year ended September 30, 2015, are included in the table below (in thousands):

	Related Variable Rate	Counterparty Swap Interest			Interest to	Net Interest
Item	Bonds	Pay	Receive	Net	Bondholders	Payments
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	\$ (4,222)	49	(4,173)	(44)	(4,217)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(8,161)	247	(7,914)	(142)	(8,056)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(3,224)	116	(3,108)	(49)	(3,157)
		\$ (15,607)	412	(15,195)	(235)	(15,430)

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

Basis and interest rate risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The City does not bear basis risk on Swap WW2. At September 30, 2015, the City bears basis risk on the two remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Tax risk. Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City's bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Termination risk. The City or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased swap insurance on the Swap AIR1 to further reduce the possibility of termination risk.

Rollover risk. The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. The City is currently not exposed to rollover risk on its hedging derivative instruments.

Investment Derivative Instruments

At September 30, 2015, the City did not have any investment derivative instruments related to interest rate swaps.

As of September 30, 2015, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable-Rate Bonds (in thousands)		Interest Rate Swaps, Net	Total Interest
	Principal	Interest		
2016	\$ 23,820	(117)	14,794	14,677
2017	12,255	(116)	14,255	14,139
2018	12,600	(118)	13,813	13,695
2019	28,525	(106)	12,841	12,735
2020	31,935	(89)	11,624	11,535
2021-2025	179,675	(178)	39,220	39,042
2026-2030	110,000	62	10,827	10,889
2031-2032	13,980	(1)	336	335
Total	<u>\$ 412,790</u>	<u>(663)</u>	<u>117,710</u>	<u>117,047</u>

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2015, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

Nonmajor Governmental	Deficit
<u>Special Revenue Funds:</u>	
Auto Theft Interdiction	\$ 17
Neighborhood Housing & Conservation	2,612
Mueller Development	6
Music Loan Program	2
<u>Capital Projects Funds:</u>	
Funds authorized in 1992	
Street & traffic signals	8
Libraries	17
Funds authorized in 1997	
Radio Trunking	47
Funds authorized in 2006	
Central Library	18,635
Funds authorized in 2012	
Parks	6,051
Other funds	
Planning & development improvements	1
General government projects	13,510
Park improvements	875
Parks and Recreation	524
Capital Reserve	1,239
Public Works	346
Watershed Protection	700
City Hall, plaza, parking garage	7,032
<u>Internal Service Funds</u>	
Capital Projects Management	1,363
<u>Nonmajor Enterprise</u>	
Austin Resource Recovery	50,738
Transportation	17,032

11 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables, and advances at September 30, 2015, are as follows (in thousands):

Receivable Fund	Payable Fund	Amount	
		Current	Advances
Governmental funds:			
General Fund	Nonmajor governmental funds	\$ 227	--
Nonmajor governmental funds	General Fund	12	--
	Nonmajor governmental funds	57,521	--
	Austin Water Utility	--	1,373
	Nonmajor enterprise funds	--	538
Internal Service funds	Nonmajor governmental funds	11	71
	Internal Service funds	670	--
Enterprise funds:			
Austin Energy	General Fund	198	1,062
	Nonmajor governmental funds	--	220
	Austin Water Utility (restricted)	441	16,587
	Airport	153	821
	Nonmajor enterprise funds	338	--
Austin Water Utility	Nonmajor enterprise funds	301	2,705
Airport (restricted)	Nonmajor governmental funds	--	51
Nonmajor enterprise funds (restricted)	Nonmajor governmental funds	--	437
Nonmajor enterprise funds	Nonmajor enterprise funds	1,231	--
		<u>\$ 61,103</u>	<u>23,865</u>

Interfund receivables, payables, and advances reflect loans between funds. Of the above current amount, \$10.8 million and \$2.3 million are interfund loans from the Fiscal Surety Fund and Urban Forest Replenishment Fund, special revenue funds, to other special revenue funds (primarily grant funds) to cover deficit pooled investments and cash. The above current amount also includes \$44.4 million in interfund loans between capital project funds to cover deficit pooled investments and cash.

Interfund transfers during fiscal year 2015 were as follows (in thousands):

Transfers Out	Transfers In						Total
	General Fund	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ --	22,378	6,970	--	956	--	30,304
Nonmajor governmental funds	--	34,552	157	--	77,226	7,884	119,819
Austin Energy	113,770	--	--	--	--	--	113,770
Austin Water Utility	39,904	75	--	--	--	--	39,979
Airport	--	--	--	--	--	52	52
Nonmajor enterprise funds	262	4,091	--	--	--	97	4,450
Internal service funds	--	24,634	6	31	--	180	24,851
Total transfers out	<u>\$ 153,936</u>	<u>85,730</u>	<u>7,133</u>	<u>31</u>	<u>78,182</u>	<u>8,213</u>	<u>333,225</u>

Interfund transfers are authorized through City Council approval. Significant transfers include Austin Energy and Austin Water Utility transfers to the General Fund, which are comparable to a return on investment to owners, and the transfer of hotel occupancy and vehicle rental tax collections from the Hotel-Motel Occupancy Tax and the Vehicle Rental Tax Funds to the Convention Center Fund.

12 – SELECTED REVENUES

a -- Major Enterprise Funds

Austin Energy and Austin Water Utility

The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 3, 2014, the PUC approved the City's most recent wholesale transmission rate of \$1.160111/KW. Transmission revenues totaled approximately \$72 million in 2015. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, 2015, the City has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed-rate component and cost-adjustment factors that allow for recovery of power supply, regulatory, and community benefit costs. If actual power supply costs differ from amounts billed to customers, then regulatory assets or deferred inflows are recorded by Austin Energy. The power supply factor is reviewed annually or when over- or under-recovery is more than 10% of expected power supply costs. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

Airport

The City has entered into certain lease agreements as the lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2015, the Airport fund revenues included minimum concession guarantees of \$19,348,657.

The following is a schedule by year of minimum future rentals on noncancelable operating leases with remaining terms of up to ten years for the Airport Fund as of September 30, 2015 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2016	\$ 5,110
2017	2,709
2018	115
2019	5
2020	5
2021	1
Totals	\$ 7,945

Projection of minimum future rentals for the Austin-Bergstrom Landhost Enterprises, Inc. is based on the current adjusted minimum rent for the period January 1, 2010 through December 31, 2015. The minimum rent is adjusted every five years commensurate with the percentage increase in the Consumer Price Index (CPI) – Urban Wage Earners and Clerical workers, U.S. Owner Average, published by the U.S. Department of Labor Bureau of Labor Statistics over the five-year period.

b -- Operating Lease Revenue

The City has entered into various lease agreements as the lessor of office space, antenna space and ground leases. Minimum guaranteed income on these non-cancelable operating leases is as follows (in thousands):

Fiscal Year Ended September 30	Future Lease Receivables
2016	\$ 1,763
2017	1,042
2018	1,038
2019	1,019
2020	1,326
2021-2025	4,377
Totals	\$ 10,565

13 – COMMITMENTS AND CONTINGENCIES

a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with LCRA. Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

Austin Energy's investment is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was \$42.6 million as of September 30, 2015. The increase in the pro-rata interest from 2014 is primarily due to an increase in coal inventory. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2015, Austin Energy's investment in the STP was approximately \$391 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6). In addition, each participant has the obligation to finance any deficits that may occur.

Each participant appoints one member to the board of directors of STPNOC, as well as one other member to the management committee. A member of the management committee may serve on the board of directors in the absence of a board member. The City's portion of STP is classified as plant in service, construction in progress, and nuclear fuel inventory. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

STP requested a 20-year license extension for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The current licenses expire in 2027 and 2028, respectively. Final license issuances are dependent upon the Waste Confidence Decision; however, licensing reviews and proceedings continue to move forward.

c -- South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted investments held by trustee. The related liability is reported as a decommissioning liability payable. Excess or unfunded liabilities related to decommissioning STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. At September 30, 2015, the trust's assets were in excess of the estimated liability by \$27.8 million which is reported as part of deferred inflows of resources (in thousands):

Decommissioning trust assets	\$ 203,005
Pro rata decommissioning liability	(175,216)
	<u>\$ 27,789</u>

STP is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit a certificate of financial assurance to the NRC for plant decommissioning every two years or upon transfer of ownership. The certificate provides reasonable assurance that sufficient funds are being accumulated to provide the minimum requirement for decommissioning mandated by the NRC. The most recent annual calculation of financial assurance filed on December 31, 2014, showed that the trust assets exceeded the minimum required assurance by \$24.7 million.

13 – COMMITMENTS AND CONTINGENCIES, continued

d -- Purchased Power

Austin Energy has commitments totaling \$6.8 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through 2020, biomass through 2032, and solar through 2042.

e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Decker Power Plants. The financial statements include a liability of approximately \$8.3 million at September 30, 2015. Austin Energy anticipates payment of these costs in 2016 and future years. The amount is based on 2015 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Water Utility closed the Green Water Treatment Plant (GWTP) on September 23, 2008. The total decommissioning cost to close the GWTP was \$10.6 million. Plant decommissioning reached final completion in fiscal year 2012. During fiscal year 2013, redevelopment activities of the former GWTP site triggered the recognition of an additional \$3.1 million in environmental liabilities related to additional remediation of the site. The financial statements include a liability of approximately \$1.1 million at September 30, 2015. Austin Water Utility anticipates payment of these costs in 2016. The amount is based on 2015 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Resource Recovery may incur costs for environmental remediation of certain sites outside of the City's landfill site. The financial statements include a liability of approximately \$315,000 at September 30, 2015 for the Harold Court site. Austin Resource Recovery anticipates payment of these costs in 2016. The amount is based on 2015 cost estimates to perform remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2015.

g -- Federal and State Financial Assistance Programs

The City participates in a number of federally assisted and state grant programs, financed primarily by the U.S. Housing and Urban Development Department, U.S. Health and Human Services Department, and U.S. Department of Transportation. The City's programs are subject to program compliance audits by the grantor agencies. Management believes that no material liability will arise from any such audits.

h -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2015 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

The key projects in progress include improvements to and development of the electric system, water and wastewater systems, airport, transportation infrastructure, public recreation and culture activities, and urban growth management activities. Remaining commitments represent current unspent budget and future costs required to complete projects.

13 – COMMITMENTS AND CONTINGENCIES, continued
h -- Capital Improvement Plan, continued

Project	(in thousands)	Remaining Commitment
Governmental activities:		
General government		\$ 74,158
Public safety		20,748
Transportation		71,229
Public health		6,332
Public recreation and culture		67,228
Urban growth management		43,016
Business-type activities:		
Electric		145,029
Water		84,461
Wastewater		60,564
Airport		283,608
Convention		28,460
Environmental and health services		3,396
Urban growth management		172,872
Total		<u>\$ 1,061,101</u>

i -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2015, is as follows (in thousands):

	Encumbrances
General Fund	\$ 13,080
Nonmajor governmental	
Special Revenue	17,977
Capital Projects	140,957
	<u>\$ 172,014</u>

Significant encumbrances include reservations for the 2006 bond program (\$32,987), the 2012 bond program (\$26,499), the Library Automation System (\$17,247), and the Waller Creek Tunnel project (\$17,183).

j -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery Fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Flooding in fiscal year 2015 has delayed final closure, which is expected in fiscal year 2017. While the landfill only reached 99.04% capacity, the City is no longer accepting waste. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2015, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	\$ 18,426	9,899	28,325
% capacity used	100%	100%	100%
Cumulative liability accrued	18,426	9,899	28,325
Costs incurred	(16,877)	--	(16,877)
Closure and postclosure liability	<u>\$ 1,549</u>	<u>9,899</u>	<u>11,448</u>

13 – COMMITMENTS AND CONTINGENCIES, continued
j -- Landfill Closure and Postclosure Liability, continued

These amounts are based on the 2015 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

k -- Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 26% of city employees and 32% of retirees use the HMO option; approximately 72% of city employees and 68% of retirees use the PPO option; and approximately 2% of city employees and 0.25% of retirees use the CDHP with HSA option. Costs are charged to city funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other city funds each year based on historical costs.
Workers' Compensation	Premium charges for this self-insured program are assessed to other funds each year based on the number of full-time equivalent (FTE) employees per fund.

The City purchases stop-loss insurance for the City's PPO and HMO. This stop-loss insurance covers individual claims that exceed \$500,000 per calendar year, up to a maximum of \$5 million. In fiscal year 2015, fourteen claims exceeded the stop-loss limit of \$500,000; during fiscal year 2014, sixteen claims exceeded the stop-loss limit of \$500,000, and during fiscal year 2013, nine claims exceeded the stop-loss limit of \$500,000. City coverage is unlimited for lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage for the last three years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund. Claims liabilities for the Liability Reserve Fund are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from \$47.5 to \$51.1 million. In accordance with GAAP, \$47.5 million is recognized as claims payable in the financial statements with \$22.6 million recognized as a current liability and \$24.9 million recognized as long term. The City contributes amounts to an internal service fund based on an estimate of anticipated costs for claims each year.

13 – COMMITMENTS AND CONTINGENCIES, continued
k -- Risk Related Contingencies, continued

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

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2015	2014	2015	2014	2015	2014
Liability balances, beginning of year	\$ 11,699	10,920	10,581	10,123	21,526	18,839
Claims and changes in estimates	15,136	10,832	4,640	5,195	7,124	5,950
Claim payments	(13,549)	(10,053)	(5,884)	(4,737)	(3,809)	(3,263)
Liability balances, end of year	<u>\$ 13,286</u>	<u>11,699</u>	<u>9,337</u>	<u>10,581</u>	<u>24,841</u>	<u>21,526</u>

The Liability Reserve Fund claims liability balance at fiscal year-end includes liabilities of \$3.2 million discounted at 3.91% in 2015 and \$3.6 million discounted at 4.45% in 2014.

l -- Redevelopment of Robert Mueller Municipal Airport

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus is currently developing and marketing the property. The Mueller Local Government Corporation (MLGC), created by the City for this development, issues debt to fund infrastructure such as streets, drainage facilities, public parks, and greenways, which are supported by taxes generated from this development.

In September 2006, the MLGC issued debt in the amount of \$12 million. Proceeds of the debt have been used to reimburse the developer for eligible infrastructure such as streets, drainage, and parks. Debt service payments are funded through an economic development grant from the City of Austin, and supported by sales tax proceeds from the development.

In October 2009, the MLGC issued debt in the amount of \$15 million. Proceeds of the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

In October 2012, the MLGC issued debt in the amount of \$16,735,000. Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

In October 2014, the MLGC issued debt in the amount of \$15,845,000. Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

The development contains over 1.36 million square feet of civic, institutional, hotel and Class A office space and approximately 602,000 square feet of retail space that is either complete or under construction. Over 80 employers provide approximately 5,000 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2015, approximately 1,357 single-family homes and 1,222 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 375 single-family and 759 multi-family homes.

m -- No-Commitment Special Assessment Debt

In November 2011, the City issued \$15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$7,949,960 in total assessments were levied in the year ended September 30, 2015. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2015 are \$15,245,000 and \$8,431,986 respectively.

13 – COMMITMENTS AND CONTINGENCIES, continued
m -- No-Commitment Special Assessment Debt, continued

In November 2011, the City issued \$2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$1,681,699 in total assessments were levied in the year ended September 30, 2015. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2015 are \$2,815,000 and \$435,696, respectively.

In July 2013, the City issued \$12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$1,772,155 in total assessments were levied in the year ended September 30, 2015. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2015 are \$12,590,000 and \$472,073, respectively.

n -- Capital Leases

The City has entered into a lease agreement to finance equipment for business-type activities. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at their inception date. The lease agreement ends in 2031. See Note 6 for the debt service requirements on this lease.

The following summarizes capital assets recorded at September 30, 2015, under capital lease obligations (in thousands):

Capital Assets	Austin Energy
Building and improvements	\$ 1,405
Accumulated depreciation	(457)
Net capital assets	<u>\$ 948</u>

o -- Operating Leases

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2015, was \$18.2 million.

Fiscal Year Ended September 30	Future Lease Payments
2016	\$ 12,191
2017	10,381
2018	7,452
2019	5,396
2020	3,097
2021-2025	9,011
Totals	<u>\$ 47,528</u>

14 – LITIGATION

A number of claims and lawsuits against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and city management are of the opinion that settlement of these claims and lawsuits will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 2015. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year-end.

15 – CONDUIT DEBT

The City has issued several series of housing revenue bonds to provide for low cost housing. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 2015, \$72.6 million in housing revenue bonds were outstanding with an original issue value of \$80.5 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport and convention center. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2015, \$147.5 million in revenue and revenue refunding bonds were outstanding with an original issue value of \$148.6 million.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

16 – SEGMENT INFORMATION – CONVENTION CENTER

The Convention Center provides event facilities and services to its customers. Below are the condensed financial statements for this segment (in thousands):

Condensed Statement of Net Position	
ASSETS	
Current assets	\$ 102,966
Capital assets	249,083
Other noncurrent assets	13,341
Total assets	<u>365,390</u>
Deferred outflows of resources	<u>29,614</u>
LIABILITIES	
Due to other funds	338
Other current liabilities	21,969
Other noncurrent liabilities	228,956
Total liabilities	<u>251,263</u>
Deferred inflows of resources	<u>309</u>
NET POSITION	
Net investment in capital assets	58,117
Restricted	25,528
Unrestricted	59,787
Total net position	<u>\$ 143,432</u>

16 – SEGMENT INFORMATION – CONVENTION CENTER, continued

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
OPERATING REVENUES	
User fees and rentals	\$ 28,657
Total operating revenues	<u>28,657</u>
OPERATING EXPENSES	
Operating expenses before depreciation	50,009
Depreciation and amortization	8,948
Total operating expenses	<u>58,957</u>
Operating income (loss)	(30,300)
Nonoperating revenues (expenses)	(6,082)
Transfers	65,728
Change in net position	<u>29,346</u>
Total net position - beginning, as restated	114,086
Total net position - ending	<u><u>\$ 143,432</u></u>
Condensed Statement of Cash Flows	
Net cash provided (used) by:	
Operating activities	\$ (18,181)
Noncapital financing activities	65,495
Capital and related financing activities	(27,622)
Investing activities	396
Net increase (decrease) in cash and cash equivalents	<u>20,088</u>
Cash and cash equivalents, October 1	70,975
Cash and cash equivalents, September 30	<u><u>\$ 91,063</u></u>

17 – DISCRETELY PRESENTED COMPONENT UNITS

Condensed financial information is included below for the discretely presented component units of the City. See Note 1 for the additional information about how to obtain the complete financial statements of these organizations. The most recently available financial statements for Austin Bergstrom Landhost Enterprises, Inc. and Austin Convention Enterprises, Inc. are for the year ended December 31, 2014. The condensed financial statements of Waller Creek Local Government Corp. are presented for the year ended September 30, 2015 (in thousands):

Condensed Combining Statement of Net Position				
	Austin Bergstrom Landhost Enterprises, Inc.	Austin Convention Enterprises, Inc.	Waller Creek Local Government Corp.	Total
ASSETS				
Current assets	\$ 1,052	9,524	--	10,576
Capital assets	24,601	173,198	--	197,799
Noncurrent assets	1,736	60,804	--	62,540
Total assets	<u>27,389</u>	<u>243,526</u>	<u>--</u>	<u>270,915</u>
Deferred outflows of resources	<u>--</u>	<u>19,050</u>	<u>--</u>	<u>19,050</u>
LIABILITIES				
Current Liabilities	7,679	14,675	--	22,354
Bonds payable, net of discount and inclusive of premium	56,632	254,529	--	311,161
Noncurrent liabilities	32	--	--	32
Total liabilities	<u>64,343</u>	<u>269,204</u>	<u>--</u>	<u>333,547</u>
NET POSITION				
Net investment in capital assets	(32,031)	(65,863)	--	(97,894)
Restricted	--	21,087	--	21,087
Unrestricted (deficit)	(4,923)	38,148	--	33,225
Total net position	<u><u>\$ (36,954)</u></u>	<u><u>(6,628)</u></u>	<u><u>--</u></u>	<u><u>(43,582)</u></u>

17 – DISCRETELY PRESENTED COMPONENT UNITS, continued

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position				
	Austin Bergstrom Landhost Enterprises, Inc.	Austin Convention Enterprises, Inc.	Waller Creek Local Government Corp.	Total
OPERATING REVENUES				
User fees and rentals	\$ 16,416	75,050	--	91,466
Contributions	--	--	150	150
Total operating revenues	<u>16,416</u>	<u>75,050</u>	<u>150</u>	<u>91,616</u>
OPERATING EXPENSES				
Operating expenses before depreciation	12,667	41,439	150	54,256
Depreciation and amortization	1,293	8,634	--	9,927
Total operating expenses	<u>13,960</u>	<u>50,073</u>	<u>150</u>	<u>64,183</u>
Operating income (loss)	<u>2,456</u>	<u>24,977</u>	<u>--</u>	<u>27,433</u>
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues (expenses)	(4,346)	(16,223)	--	(20,569)
Change in net position	<u>(1,890)</u>	<u>8,754</u>	<u>--</u>	<u>6,864</u>
Total net position - beginning	<u>(35,064)</u>	<u>(15,382)</u>	<u>--</u>	<u>(50,446)</u>
Total net position - ending	<u>\$ (36,954)</u>	<u>(6,628)</u>	<u>--</u>	<u>(43,582)</u>

18 – RESTATEMENT AS A RESULT OF THE IMPLEMENTATION OF A NEW ACCOUNTING STANDARD

During fiscal year 2015, the City implemented two new accounting standards. GASB Statement No. 68, "Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27", revised standards of accounting and reporting for pension expenses and liabilities as well as allowing for the deferral of certain pension expense elements. The City also implemented the related GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68" which clarifies rules related to the accrual of deferred inflows and outflows of resources at the beginning of the period in which GASB Statement No. 68 is effective. As a result of implementing these two statements, net position was restated at October 1, 2014. The City's net pension obligation and net pension assets were eliminated and replaced by a larger net pension liability. Contributions made by the City to the pension systems from January 1 to September 30, 2015 are reported as deferred outflows of resources. The impact of these changes on the beginning balances reported in the financial statements is shown below (in thousands):

	Exhibit A-2		Exhibit C-2		
	Governmental Activities	Business- Type Activities	Airport	Nonmajor Enterprise Funds	Business- Type Activities
September 30, 2014					
Net position, as previously reported	\$ 1,308,194	3,328,362	537,650	424,983	3,301,067
Adjustments to properly record implementation of GASB Statements No. 68 and 71	(627,853)	(104,190)	(20,630)	(83,560)	(104,190)
Net position, as restated	<u>\$ 680,341</u>	<u>3,224,172</u>	<u>517,020</u>	<u>341,423</u>	<u>3,196,877</u>

The adjustments associated with the implementation of this standard were deferred in accordance with accounting for regulated operations for Austin Energy and Austin Water Utility. The amount deferred is \$125.8 million and \$66.9 million, respectively; therefore, there was no restatement to net position in these funds.

19 – SUBSEQUENT EVENTS

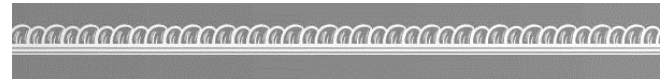
a -- General Obligation Bond Issue

In October 2015, the City issued \$236,905,000 of Public Improvement and Refunding Bonds, Series 2015. The net proceeds of \$104,630,000 (after issue costs, discounts, and premiums) from the non-refunding portion of the issue will be used as follows: streets and signals (\$32,235,000), parks and recreation (\$17,275,000), central library (\$43,200,000), and facility improvements (\$11,920,000). The net proceeds of the refunding portion of \$158,626,892 were used to refund \$4,490,000 Certificates of Obligation, Series 2005, \$12,140,000 Public Improvement and Refunding Bonds, Series 2005, \$14,965,000 Certificates of Obligation Series 2006, \$27,900,000 Public Improvement Bonds, Series 2006, \$2,375,000 Certificates of Obligation, Series 2007, and \$87,945,000 Public Improvement Bonds, Series 2007. These bonds will be amortized serially on September 1 of each year from 2016 to 2035. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2016. Total interest requirements for these bonds, at rates ranging from 2.0% to 5.0%, are \$98,473,671.

In October 2015, the City issued \$43,710,000 of Certificates of Obligation, Series 2015. The net proceeds of \$50,351,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts (\$20,500,000), Waller Creek Tunnel (\$11,051,000), central library (\$12,500,000), and building and golf course improvements (\$6,300,000). These certificates of obligation will be amortized serially on September 1 of each year from 2016 to 2035. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2016. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are \$25,524,363.

In October 2015, the City issued \$14,450,000 of Public Property Finance Contractual Obligations, Series 2015. The net proceeds of \$16,065,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water and wastewater utility capital equipment (\$2,350,000), public works capital equipment (\$2,500,000), golf capital equipment (\$1,365,000) transportation capital equipment (\$695,000) and network equipment (\$9,155,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2016 to 2022. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2016. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are \$2,728,846.

In October 2015, the City issued \$10,000,000 of Public Improvement Taxable Bonds, Series 2015. The net proceeds of \$10,000,000 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. Interest is payable March 1 and September 1 of each year from 2016 to 2035, commencing on March 1, 2016. Principal payments are due September 1 of 2016, then each year on September 1 from 2018 to 2035. Total interest requirements for this obligation, at rates ranging from 2.9% to 4.3% are \$4,632,484.



REQUIRED SUPPLEMENTARY INFORMATION

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2015
(In thousands)

City of Austin, Texas
RSI

General Fund	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Taxes	\$ 572,640	100	572,740	565,469	565,469	7,271
Franchise fees	37,842	--	37,842	36,634	36,634	1,208
Fines, forfeitures and penalties	17,305	(1)	17,304	16,572	16,572	732
Licenses, permits and inspections	39,006	(9)	38,997	29,610	29,610	9,387
Charges for services/goods	58,297	(5)	58,292	57,693	57,693	599
Interest and other	11,831	(7,735)	4,096	3,281	3,281	815
Total revenues	736,921	(7,650)	729,271	709,259	709,259	20,012
EXPENDITURES						
General government						
Municipal Court	19,246	(56)	19,190	19,677	19,677	487
Public safety						
Police	320,759	32,809	353,568	355,412	355,412	1,844
Fire	156,426	12,559	168,985	166,619	166,619	(2,366)
Emergency Medical Services	66,524	6,600	73,124	74,698	74,698	1,574
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	4	(4)	--	--	--	--
Public health						
Health	61,247	5,059	66,306	66,917	66,917	611
Public recreation and culture						
Parks and Recreation	64,104	6,893	70,997	71,567	71,567	570
Austin Public Library	34,138	3,074	37,212	37,188	37,188	(24)
Urban growth management						
Neighborhood Planning and Zoning	30,617	5,781	36,398	36,923	36,923	525
Other Urban Growth Management	32,455	(3,134)	29,321	30,610	30,610	1,289
General city responsibilities (4)(5)	93,349	(90,139)	3,210	2,196	3,296	86
Total expenditures	878,869	(20,558)	858,311	861,807	862,907	4,596
Excess (deficiency) of revenues over expenditures	(141,948)	12,908	(129,040)	(152,548)	(153,648)	24,608
OTHER FINANCING SOURCES (USES)						
Transfers in	153,936	54,153	208,089	209,889	209,889	(1,800)
Transfers out (5)	(30,304)	(71,459)	(101,763)	(91,525)	(90,425)	(11,338)
Total other financing sources (uses)	123,632	(17,306)	106,326	118,364	119,464	(13,138)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(18,316)	(4,398)	(22,714)	(34,184)	(34,184)	11,470
Special item - land sale	11,983	--	11,983	--	--	11,983
Fund balance at beginning of year	183,496	7,347	190,843	52,702	72,993	117,850
Fund balance at end of year	\$ 177,163	2,949	180,112	18,518	38,809	141,303

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.
- (4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.
- (5) Includes variance in original and final budget due to movement of a transfer out to general city responsibilities.

BUDGET BASIS REPORTING

a -- General

The City of Austin prepares its annual operating budget based on the modified accrual basis. Encumbrances constitute the equivalent of expenditures for budgetary purposes. In order to provide a meaningful comparison of actual results to the budget, the Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with original and final budgets.

The General Fund, as reported in the financial statements is comprised of six separately budgeted funds: the General Fund, as budgeted by the City, plus the Economic Development, Economic Incentives Reserve, Long Center Capital Improvements, Music Venue Assistance Program, and Neighborhood Housing and Community Development activities.

The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes the following: tuition reimbursement (\$465,000), customer service call center (\$1,731,141), and Balcones Wildland Conservation (\$1,100,000).

b -- Budget Amendments

There were no budget amendments to the General Fund in fiscal year 2015.

c -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP-basis and budget-basis reporting for the General Fund are the reporting of encumbrances and the reporting of certain transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the activities comprising the General Fund are provided, as follows (in thousands):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ (18,316)
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(2,323)
Net compensated absences accrual	(62)
Outstanding encumbrances established in current year	(12,172)
Payments against prior year encumbrances	9,442
Other	717
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	<u>\$ (22,714)</u>

RETIREMENT PLANS-TREND INFORMATION

Changes in net pension liability for all three funds and the City for the measurement period ended December 31, 2014 are as follows (in thousands):

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Total Pension Liability at December 31, 2013 (a)	<u>\$ 2,909,918</u>	<u>909,000</u>	<u>806,282</u>
Changes for the year:			
Service Cost	89,235	30,254	25,319
Interest	222,710	72,443	62,977
Benefit Changes	--	(11,015)	--
Differences between Expected and Actual Experience	33,911	--	--
Assumption Changes	--	14,137	4,883
Contribution Buy Back	--	2,207	--
Benefit Payments including refunds	(161,718)	(45,403)	(37,993)
Net Change in Total Pension Liability	<u>184,138</u>	<u>62,623</u>	<u>55,186</u>
Total Pension Liability at December 31, 2014 (b)	<u>\$ 3,094,056</u>	<u>971,623</u>	<u>861,468</u>
Total Plan Fiduciary Net Position at December 31, 2013 (c)	<u>\$ 2,130,624</u>	<u>595,110</u>	<u>752,622</u>
Changes for the year:			
Employer Contributions	93,331	32,400	18,670
Employee Contributions	50,490	19,458	14,660
Contribution Buy Back	--	2,207	--
Pension Plan Net Investment Income	99,704	35,574	42,005
Benefits Payments and Refunds	(161,718)	(45,403)	(37,993)
Pension Plan Administrative Expense	(2,631)	(1,327)	(531)
Net Change in Plan Fiduciary Net Position	<u>79,176</u>	<u>42,909</u>	<u>36,811</u>
Total Plan Fiduciary Net Position at December 31, 2014 (d)	<u>\$ 2,209,800</u>	<u>638,019</u>	<u>789,433</u>
Net Pension Liability at December 31, 2013 (a-c)	<u>\$ 779,294</u>	<u>313,890</u>	<u>53,660</u>
Net Pension Liability at December 31, 2014 (b-d)	<u>\$ 884,256</u>	<u>333,604</u>	<u>72,035</u>
Plan fiduciary net position as a percentage of the total pension liability (d/b)	71.42%	65.67%	91.64%
Covered-employee payroll	<u>\$ 560,362</u>	<u>175,217</u>	<u>100,876</u>
City's net pension liability as a percentage of covered-employee payroll	157.80%	190.39%	71.41%

RETIREMENT PLANS-TREND INFORMATION, continued

Notes to Schedule of Changes in the City's Net Pension Liability and Related Ratios:

The City Employees' fund had no significant changes of assumptions or other inputs, no changes of benefit terms, and no significant factors that affected measurement of the total pension liability during the measurement period.

The Police Officers' fund had numerous changes in benefits and assumptions that affected the measurement of the total pension liability for the measurement period. In February 2015, the pension board approved the following benefit changes:

- Effective February 18, 2015, eliminate the opportunity to purchase permissive service in conjunction with utilizing the Forward or Retro-DROP,
- Effective April 1, 2015, permissive service credit factors shall be determined based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality,
- Effective April 1, 2015, eliminate Retro-DROP for members with less than 23 years of Police Officers' fund service,
- Effective August 1, 2015, the Forward DROP interest rate will be set annually in the same manner as the PROP interest rate, except for those with 23 years of Police Officers' fund service as of July 31, 2015 who will not be affected, and
- Requiring that new hires beginning February 1, 2016 pay the full actuarial costs for purchase of military service.

Changes to assumptions included:

- Decreasing the investment return assumption from 8.00% to 7.90% per year compounded annually, net of expenses,
- Lowering the expected increase in salary due to general wage increased from 3.75% to 3.5%,
- Decreasing the annual assumed interest rate credited to Post Retirement Option Plan (PROP), accounts from 4.00% to 2.25%,
- Reducing the disability rates by one-half,
- Increasing by 25% the retirement rates for members entering the system prior to age 33, and
- Slight modifications to retirement rates due to anticipated future PROP usage.

The Fire Fighters' fund changed a number of assumptions that affected the measurement of the total pension liability for the measurement period.

- The investment return was decreased from 7.75% to 7.70% per year compounded annually, net of expenses.
- The general wage inflation rate was decreased from 3.5% to 3.0%.
- Amendments were made to the service-based table attributable to merit and longevity salary increases, the retirement rates, the Retro-DROP election assumptions, the withdrawal rates, and the assumed spousal age difference assumptions.

This fund had no benefit changes or other significant factors that affected measurement of the total pension liability during the measurement period.

Information pertaining to City contributions to the retirement systems for the fiscal year ending September 30, 2015, is shown below (in thousands). An actuarially determined contribution was calculated for the City Employees' fund but was not calculated for the other two funds.

Schedule of Actuarially Determined City Contributions to the City Employees' Fund
(in thousands)

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 96,554	97,655	(1,101)	587,937	16.61%

RETIREMENT PLANS-TREND INFORMATION, continued

Notes to Schedule of Actuarially Determined City Contributions to the City Employees' Fund

Valuation Date:	December 31, 2014
Notes	Members and employers contribute based on statutorily fixed or negotiated rates. A funding period is solved for through open group projections.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	20% of market plus 80% of expected actuarial value
Inflation	3.25%
Salary Increases	4.5% to 6.00%
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are gender specific. Last updated for December 31, 2012 valuation pursuant to an experience study of the 5-year period ending December 31, 2011
Mortality	RP-2000 Mortality Table with White Collar adjustment and multipliers of 110% for males and 120% for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000
Other Information:	There were no benefit changes during the year

Schedule of Statutorily Required City Contributions to the Police Officers' Fund and the Fire Fighters' Fund
(in thousands)

Fiscal Year Ended September 30	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
Police Officers					
2015	\$ 32,942	32,942	--	180,152	18.29%
Fire Fighters					
2015	18,327	18,327	--	105,801	17.32%

Supplementary information for each plan as well as information on where to obtain plan financial statements can be found in Footnote 7.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

Under GAAP, the City is required to have an actuarial valuation of its other postemployment benefits program every other year. The Schedule of Funding Progress for other postemployment benefits is as follows (in thousands):

Fiscal Year Ended September 30	Valuation Date, October 1	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
2011	2010	\$ --	1,404,692	1,404,692	0.0%	668,679	210.1%
2013	2012	--	1,384,490	1,384,490	0.0%	696,559	198.8%
2015	2014	--	1,449,238	1,449,238	0.0%	775,527	186.9%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)

Supplementary information for the OPEB plan can be found in Footnote 8.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

October 4, 2016

WE HAVE ACTED as Bond Counsel for the City of Austin, Texas (the “City”), in connection with an issue of bonds (the “Bonds”) described as follows:

CITY OF AUSTIN, TEXAS, PUBLIC IMPROVEMENT BONDS, TAXABLE SERIES 2016, dated October 4, 2016, in the aggregate principal amount of \$12,000,000, maturing on September 1 in each year from 2017 through and including 2030 and in the years 2032, 2034 and 2036. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds, the ordinance (the “Bond Ordinance”) adopted by the City Council of the City authorizing their issuance and the Pricing Certificate dated as of September 7, 2016 (the “Pricing Certificate” and, together with the Bond Ordinance, the “Ordinance”).

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. T-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. 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.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the

Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

2. The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

WE EXPRESS NO OPINION as to the treatment of the interest on the Bonds for federal income tax purposes or any other matter.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

7874/10412

October 4, 2016

WE HAVE ACTED as Bond Counsel for the City of Austin, Texas (the “City”), in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF AUSTIN, TEXAS, CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2016, dated October 4, 2016, in the aggregate principal amount of \$8,700,000, maturing on September 1 in each year from 2017 through and including 2030 and in the years 2032, 2034 and 2036. The Certificates are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance (the “Ordinance”) adopted by the City Council of the City authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. T-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating

to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law;

2. The Certificates are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates; and
3. The Certificates are additionally payable from a limited pledge of the surplus revenues (not to exceed \$1,000) of the City's solid waste disposal system in the manner and to the extent provided in the Ordinance.

WE EXPRESS NO OPINION as to the treatment of the interest on the Certificates for federal income tax purposes or any other matter.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

7874/10412