OFFICIAL STATEMENT
Dated December 5, 2013

Ratings: Moody's: "A1"
Standard & Poor's: "A"
(See "OTHER RELEVANT INFORMATION – Ratings")

NEW ISSUE – Book-Entry-Only

Delivery of the Bonds (as defined below) is subject to the receipt of the opinion of Fulbright & Jaworski LLP, Bond Counsel, to the effect that, assuming continuing compliance by the City (as defined below) with certain covenants contained in the Ordinance described herein, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under existing law, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

$26,485,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
4.5% Hotel Occupancy Tax
Revenue Refunding Bonds, Series 2013

Bond Date: December 1, 2013 (Interest to accrue from Delivery Date) Due: As shown on the inside cover page)

Interest on the $26,485,000 City of Austin, Texas 4.5% Hotel Occupancy Tax Revenue Refunding Bonds, Series 2013 (the "Bonds") will accrue from the date of initial delivery of the Bonds and will be payable May 15, 2014, and each November 15 and May 15 thereafter until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The City of Austin, Texas (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 behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "BOOK-ENTRY-ONLY SYSTEM").

The Bonds are issued pursuant to Chapters 1207 and 1371 of the Government Code, as amended (jointly, the "Act"), and other applicable laws of the State of Texas, and an ordinance (the "Bond Ordinance") adopted by the City on November 21, 2013 in which the City Council delegated to certain officials of the City the authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). The Bonds are special limited obligations of the City, equally and ratably payable from and secured by a lien on and pledge of the "Pledged Revenues", which consist primarily of that portion of the revenues derived by the City from the hotel occupancy tax levied by the City pursuant to Chapter 351, Texas Tax Code, as amended, which is equal to at least 4.5% of the consideration paid by occupants of sleeping rooms furnished by hotels located within the corporate limits of the City in which the cost of occupancy is $2.00 or more each day (the "4.5% HOT" or the "Pledged Hotel Occupancy Tax Revenues"), together with certain investment earnings, all as described herein. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage on any of the physical properties of the City. See "SECURITY FOR THE BONDS – Pledge" herein. The lien on and pledge of the 4.5% HOT to the payment of the Bonds is subordinate to the pledge of the 4.5% HOT to the Prior Lien Obligations (hereinafter defined). The Special Hotel Occupancy Tax (hereinafter defined) has also been pledged to the Prior Lien Obligations, but is **not** pledged to or available to pay the Bonds.

THE BONDS DO NOT CONSTITUTE OR CREATE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO THE 4.5% HOT, AS DESCRIBED HEREIN) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE BONDS. SEE "SECURITY FOR THE BONDS – PLEDGE" HEREIN.

Maturity Schedule on Inside Cover Page

The Bonds are offered for delivery when, as, and if issued and subject, among other things, to the opinions of the Attorney General of Texas and Fulbright & Jaworski LLP, Bond Counsel for the City, a member of Norton Rose Fulbright, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. The opinion of Bond Counsel will be printed on or attached to the Bonds. (See APPENDIX D - Form of Bond Counsel's Opinion). Certain legal matters will be passed on for the Underwriters by their counsel, Bracewell & Giuliani LLP.

The Bonds are expected to be available for delivery on or about December 19, 2013.

Mesirow Financial, Inc.

RBC Capital Markets **Piper Jaffray & Co.**

RW Baird & Co. **Cabrera Capital Markets, LLC**

$26,485,000

CITY OF AUSTIN, TEXAS

4.5% Hotel Occupancy Tax
Revenue Refunding Bonds, Series 2013

MATURITY SCHEDULE

Base CUSIP No. 052422 (1)

Maturity (November 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (November 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2014	$3,985,000	2.000%	0.330%	EP3	2017	$4,475,000	5.000%	1.125%	ES7
2015	4,110,000	4.000%	0.500%	EQ1	2018	4,700,000	5.000%	1.590%	ET5
2016	4,275,000	4.000%	0.700%	ER9	2019	4,940,000	5.000%	2.050%	EU2

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor for the City, or the Underwriters take any responsibility for the accuracy of such numbers.

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

Certain information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but such information 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 opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The delivery of this Official Statement at any time does not imply that the information herein is correct as to any time subsequent to its date. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis. No representation is made by the City regarding the use, presentation and interpretation of the financial information of the City made by third parties, including, without limitation, the Municipal Securities Rulemaking Board.

The price and other terms representing the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering and sale of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in open markets. Such stabilizing, if commenced, may be discontinued at any time.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SEC AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED FROM REGISTRATION SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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

Deloitte & Touche LLP, independent auditors, have not been engaged to perform and have not performed, since the date of their report included herein, any procedures on the financial statements addressed in their report.

None of the City, the Financial Advisor to the City or the Underwriters make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company, or its book-entry-only system, as such information has been furnished by The Depository Trust Company. 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."

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CITY OF AUSTIN

Elected Officials (1)

Lee Leffingwell	Mayor
Chris Riley	Councilmember Place 1
Mike Martinez	Councilmember Place 2
Kathryne B. Tovo	Councilmember Place 3
Laura Morrison	Councilmember Place 4
William Spelman	Councilmember Place 5
Sheryl Cole, Mayor Pro Tem	Councilmember Place 6

(1) As a result of an amendment to the Austin City Charter approved at an election held November 2012, all current terms of the City Council will expire November 2014. In November 2014, the configuration of the City Council will change to an eleven member council, with the Mayor to be elected at large and the remainder of the council to be elected from ten single member districts. See APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY – General Information" and "– Governance."

Appointed Officials

Marc A. Ott	City Manager
Mike McDonald	Deputy City Manager
Robert Goode	Assistant City Manager
Sue Edwards	Assistant City Manager
Bert Lumbreras	Assistant City Manager
Anthony Snipes	Assistant City Manager
Rey Arellano	Assistant City Manager
Elaine Hart, CPA	Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Karen Kennard	City Attorney
Jannette S. Goodall	City Clerk

BOND COUNSEL
Fulbright & Jaworski LLP
a member of Norton Rose Fulbright
Austin and Dallas, Texas

SECURITIES COUNSEL FOR THE CITY
McCall, Parkhurst & Horton LLP
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:

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OFFICIAL STATEMENT

$26,485,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
4.5% Hotel Occupancy Tax
Revenue Refunding Bonds, Series 2013

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, is being furnished in connection with the issuance by the City of Austin, Texas (the "City"), of its $26,485,000 City of Austin, Texas 4.5% Hotel Occupancy Tax Revenue Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are being issued pursuant to Chapters 1207 and 1371 of the Government Code, as amended (jointly, the "Act"), and other applicable laws of the State of Texas and an ordinance of the City Council (the "Bond Ordinance") adopted on November 21, 2013 in which the City Council delegated to certain officials of the City authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinance. See APPENDIX C hereto for selected definitions of terms used in this Official Statement.

The Bonds are special limited obligations of the City that are equally and ratably payable from and secured by a lien on and pledge of the Pledged Revenues (as hereinafter described). The Pledged Revenues consist primarily of that portion of the revenues derived by the City from the hotel occupancy tax levied by the City pursuant to Chapter 351, Texas Tax Code, as amended, which is equal to at least 4.5% of the consideration paid by occupants of sleeping rooms furnished by hotels located within the corporate limits of the City in which the cost of occupancy is $2.00 or more each day (the "4.5% HOT" or the "Pledged Hotel Occupancy Tax Revenues"), together with certain investment earnings, all as described herein. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage on any of the physical properties of the City. See "SECURITY FOR THE BONDS – Pledge" herein. In the Ordinance, the term Pledged Hotel Occupancy Tax Revenues is used to describe the hotel occupancy tax securing the payment of the Bonds.

The lien on and pledge of the 4.5% HOT to the payment of the Bonds is subordinate to the lien on and pledge of the 4.5% HOT to the payment of the Prior Lien Obligations. The Prior Lien Obligations include, among other obligations hereinafter described, the Prior Lien Bonds. After the issuance of the Bonds and the refunding of the Refunded Obligations, the Prior Lien Bonds will consist of the outstanding (i) "City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008", dated August 14, 2008, and (ii) "City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2012 (Convention Center/Waller Creek)", dated March 1, 2012. The Special Hotel Occupancy Tax (hereinafter defined) has also been pledged to the Prior Lien Obligations, but is **not** pledged to or available to pay the Bonds. See "SECURITY FOR THE BONDS – Prior Lien Obligations" and "- 2008 Credit and Swap Agreements."

The Bonds constitute "Junior Subordinate Lien Bonds", as such term is used in the ordinances authorizing the issuance of the Prior Lien Bonds.

THE BONDS DO NOT CONSTITUTE OR CREATE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO THE 4.5% HOT, AS DESCRIBED HEREIN) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE BONDS. SEE "SECURITY FOR THE BONDS – PLEDGE."

PLAN OF FINANCING

General

The Bonds are being issued to refund $28,890,000.00 of the City's currently outstanding bond indebtedness described in APPENDIX E attached hereto (the "Refunded Obligations"). The refunding of the Refunded Obligations will result in a net present value savings to the City. The refunding of the Refunded Obligations will extinguish a prior lien on the

4.5% HOT securing the Refunded Obligations. Proceeds from the Bonds will also be used to purchase a debt service reserve insurance policy, constituting a Reserve Fund Surety Bond pursuant to the terms of the Ordinance, from Assured Guaranty Municipal Corp. ("AGM"), which will fund the Reserve Fund Requirement established for the benefit of the Bonds, and to pay costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS" and "SECURITY FOR THE BONDS – Reserve Fund Surety Bond and Assured Guaranty Municipal Corp."

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption date of such Refunded Obligations from funds to be deposited pursuant to that certain Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association, Houston, Texas (the "Escrow Agent"). The Ordinance provides that the proceeds of the sale of the Bonds, together with other lawfully available funds of the City, if any, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") without investment. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

The Arbitrage Group, Inc., a nationally recognized accounting firm (the "Verification Agent"), will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that such amounts on deposit in the Escrow Fund, without reinvestment, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations.

By the deposit of cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the ordinance authorizing the issuance of the Refunded Obligations. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Obligations will no longer be payable from or secured by the Pledged Hotel Occupancy Tax Revenues but will be payable solely from cash held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and thus will not be included in or considered to be an obligation of the City for the purpose of a limitation on the issuance of debt obligations.

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

SOURCES AND USES OF FUNDS

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

Sources:	
Par Amount	$26,485,000.00
Premium	2,958,165.00
Transfer from Debt Service Fund	136,425.00
Total Available Funds	$29,579,590.00
Uses:	
Refunded Obligations Escrow	$29,154,825.00
Costs of Issuance*	296,012.15
Underwriters' Discount	128,752.85
Total Available Funds	$29,579,590.00

*Includes premium for debt service reserve insurance policy.

DEBT SERVICE REQUIREMENTS (a)

Fiscal Year			The Bonds		Total
Ending	Series 2008 Bonds (b)(c)	Series 2012 Bonds (b)	Principal	Interest	Debt Service
9/30/2014	$ 8,261,290	$ 1,338,950	$ -	$ 454,567	$ 10,054,807
9/30/2015	8,243,900	1,339,250	3,985,000	1,081,000	14,649,150
9/30/2016	8,246,120	1,765,050	4,110,000	958,950	15,080,120
9/30/2017	8,218,491	1,763,875	4,275,000	791,250	15,048,616
9/30/2018	8,200,743	1,764,813	4,475,000	593,875	15,034,431
9/30/2019	8,206,982	1,762,375	4,700,000	364,500	15,033,857
9/30/2020	8,207,044	1,765,500	4,940,000	123,500	15,036,044
9/30/2021	8,210,660	1,761,000	-	-	9,971,660
9/30/2022	8,212,639	1,758,875	-	-	9,971,514
9/30/2023	8,169,038	1,758,875	-	-	9,927,913
9/30/2024	8,183,313	1,751,000	-	-	9,934,313
9/30/2025	8,194,977	1,750,125	-	-	9,945,102
9/30/2026	8,213,595	1,750,875	-	-	9,964,470
9/30/2027	8,209,494	1,743,250	-	-	9,952,744
9/30/2028	8,226,941	1,742,125	-	-	9,969,066
9/30/2029	8,245,504	1,732,375	-	-	9,977,879
9/30/2030	8,274,586	1,730,813	-	-	10,005,399
	$ 139,725,318	$ 28,979,125	$ 26,485,000	$ 4,367,642	$ 199,557,085

(a) Includes the Bonds, excludes the Refunded Obligations.

(b) The Series 2008 Bonds and the Series 2012 Bonds constitute Prior Lien Obligations. See "SECURITY FOR THE BONDS - Prior Lien Obligations."

(c) Calculated using an assumptive interest rate of 3.2505%; see "SECURITY FOR THE BONDS - 2008 Credit and Swap Agreements."

DESCRIPTION OF THE BONDS

General

The Bonds will be dated December 1, 2013 and will mature on November 15 in each of the years and in the amounts shown on the inside cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book–Entry –Only System described herein. No physical delivery of the Bonds will be made to the owners thereof.

Interest on the Bonds will accrue from the date of delivery and will be payable on May 15, 2014, and on each November 15 and May 15 thereafter until maturity. The Bonds will mature on the dates and in the principal amounts and bear interest at per annum rates set forth on the inside cover page hereof. Interest to be paid on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds is payable at maturity. The Bonds are not subject to redemption at the option of the City prior to their scheduled maturities.

Purpose of the Bonds

The Bonds are being issued to refund the Refunded Obligations, to fund the Reserve Fund Requirement through the purchase of a Reserve Fund Surety Bond, and to pay costs of issuance incurred in connection with the sale of the Bonds. See "PLAN OF FINANCING."

Defeasance

The City may defease and discharge its obligation to the holders of any or all of the Bonds to pay the principal of, premium, if any, and interest thereon by depositing with the Paying Agent/Registrar or other authorized escrow agent in trust: (a) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (b) Government Obligations, consisting of: (i) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of acquisition by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. As of the date of this Official Statement, Government Obligations consist of those obligations described in clauses (i), (ii) and (iii). Government Obligations deposited in trust to defease the Bonds are required to have been certified by an independent public accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to pay when due if the City first obtains a rating confirmation notice the principal of, premium, if any, and interest on such Bonds.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association. The City retains the right to replace the Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause written notice thereof to be given to each registered owner of the Bonds then outstanding, which notice will also give the address of the new Paying Agent/Registrar. Any Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve in the capacity and perform the duties of Paying Agent/Registrar for the Bonds.

Interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first-class postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. Principal on the Bonds will be paid to the registered owner at their stated maturity or redemption prior to maturity upon their presentation to the designated payment/transfer office of the Paying Agent/Registrar, which, on the date of delivery of the Bonds, is the Paying Agent/Registrar's office in Houston, Texas. If a date for making a payment on the Bonds, the taking of any action or the mailing of any notice by the Paying Agent Registrar shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment, taking action or mailing of a notice will be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and a payment, action or mailing on such date shall have the same force and effect as if made on the original date the payment was due, or the action was required to be taken or the mailing was required to be made.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date with respect to the Bonds means the close of business on the last business day of the month preceding such interest payment date. In the event of a non-payment of interest on one or more maturities of the Bonds on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment for such maturity or maturities (a "Special Record Date") will be established by the Paying Agent/Registrar, if any, when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 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 such maturity or maturities of the Bonds appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated payment/transfer office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Amendments

Alteration of Rights and Duties. The rights, duties and obligations of the City and the registered owners of the Bonds are subject in all respects to all applicable federal and state laws including, and without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Amendment of Ordinance Without Consent. The City may, without the consent of or notice to any of the registered owners of the Bonds, amend the Ordinance for certain purposes including, but not limited to, (i) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinance or in the Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that the amendment shall not adversely affect the interests of the registered owners of the Bonds; (ii) to change the terms or provisions of the Ordinance to the extent necessary to prevent the interest on the Bonds from being includable within the gross income of the registered owners thereof for federal income tax purposes; (iii) to grant to or confer upon the registered owners of the Bonds any additional rights, remedies, powers or authority; (iv) to add to the covenants and agreements of the City contained in the Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City; (v) to amend any provisions relating to the issuance of Additional Bonds if the City first obtains a Rating Confirmation Notice with respect to the amendment; and (vi) to subject to the lien and pledge of the Ordinance additional Pledged Revenues, provided that the amendment does not cause any reduction in any rating assigned to the Bonds by any major municipal securities evaluation service then rating the Bonds; provided, however, that if and to the extent required by a Credit Agreement, the City shall first obtain the consent of the related credit facility provider to any such amendment pursuant to the Ordinance.

Amendments of Ordinance Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinance, but if such amendment is not of the character described in the Ordinance as permitted without the consent of or notice to any of the registered owners of the Bonds, only with the consent of the registered owner or owners of not fewer than a majority of the aggregate unpaid principal amount of the Parity Bonds then outstanding and affected by the amendment, modification, addition, or elimination; provided, however, that the foregoing shall not permit (a) an extension of the maturity of the principal of or interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest on any Bond or redemption price therefor, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to the amendment.

Bondholders' Remedies

If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the courts, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the 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. The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, Texas Government Code ("Chapter 1371"). In the proceedings authorizing the issuance of obligations or the execution and delivery of credit agreements, the City may agree to waive sovereign immunity from suit or liability for the purposes of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation. Notwithstanding its reliance on Chapter 1371 in connection with the issuance of the Bonds (as described in "INTRODUCTION"), the City has not waived the defense of sovereign immunity with respect to the Bonds under Chapter 1371. On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the State legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Ordinance. 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.

The City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenue, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity that has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce any other remedies available to the registered owners would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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 Ordinance. See "DESCRIPTION OF THE BONDS - Paying Agent/Registrar". The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Bonds are described herein.

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 none of the City, the financial advisor to the City or the Underwriters take any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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 Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

SECURITY FOR THE BONDS

Pledge

The Bonds are special limited obligations of the City, payable solely from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues, in the manner provided in the Ordinance. Pledged Revenues include the Pledged Hotel Occupancy Tax Revenues; the lien on and pledge of the Pledged Hotel Occupancy Tax Revenues securing the Bonds is subordinate to the lien on and pledge of the Pledged Hotel Occupancy Tax Revenues securing the Prior Lien Obligations, as defined in the Ordinance, currently outstanding or hereafter issued in the manner provided in the Ordinance. In addition to the Pledged Hotel Occupancy Tax Revenues, Pledged Revenues include certain investment earnings, all as described herein. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage on any of the physical properties of the City.

The City, pursuant to the Ordinance, further grants a lien on the Bond Fund and the Series 2013 Reserve Account within the Reserve Fund to secure the payment of principal of, premium, if any, and interest on the Bonds. See "Accounts and Flow of Funds" herein.

THE BONDS DO NOT CONSTITUTE OR CREATE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO THE 4.5% HOT AS SPECIFICALLY DESCRIBED HEREIN) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE BONDS.

Pledge of 4.5% HOT

The ordinances authorizing the issuance of the Prior Lien Bonds (the "Prior Lien Bond Ordinances") will be amended to clarify any existing ambiguity to provide that the Special Hotel Occupancy Tax will be used first to pay the amounts owed on the Prior Lien Obligations and should the Special Hotel Occupancy Tax be insufficient to fully pay the amounts owed on the Prior Lien Obligations, the 4.5% HOT will be applied to that purpose prior to the 4.5% HOT being available to pay the Bonds. In addition, the Prior Lien Bond Ordinances will be amended to clarify an existing ambiguity to provide that transfers of the 4.5% HOT in support of Junior Subordinate Lien Bonds, such as the Bonds, will occur prior to transfers in support of Junior Obligations, as such term is defined in the Prior Lien Bond Ordinances.

Levy of Hotel Occupancy Tax

(a) The City has levied, and while any Bonds and other Parity Obligations or Termination Obligations remain Outstanding the City levies and covenants that it shall continue to levy, a Hotel Occupancy Tax on the cost of occupancy of any sleeping room furnished by any hotel within the corporate limits of the City, in which the cost of occupancy is $2.00 or more each day, at a rate of at least 7% of the consideration paid by the occupant of the sleeping room to the hotel, all as authorized by the Tax Act. The City further covenants that it shall enforce the provisions of the Ordinance, or any other ordinance levying a Hotel Occupancy Tax, concerning the collection, remittance and payment of the Hotel Occupancy Tax.

(b) In addition to the Hotel Occupancy Tax levied and to be collected pursuant to (a) above, the City has levied, and while any Prior Lien Bonds remain Outstanding, the City covenants that it shall continue to levy, a Special Hotel Occupancy Tax on the cost of occupancy of any sleeping room furnished by any hotel within the corporate limits of the City, in which the cost of occupancy is $2.00 or more each day, at a rate of at least 2% of the consideration paid by the occupant of the sleeping room to the hotel, to finance or refinance the costs of the Convention Center/Waller Creek Venue Project (the "Special Hotel Occupancy Tax"). The Special Hotel Occupancy Tax is **not** pledged to or available to pay the Bonds.

Prior Lien Obligations

Upon the delivery of the Bonds, the City will have outstanding two series of bonds, the City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (the "Series 2008 Bonds") and the City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), that are secured by a prior lien on and pledge of the 4.5% HOT and a first lien on and pledge of the Special Hotel Occupancy Tax (together, the "Prior Lien Pledged Revenues"). The Prior Lien Pledged Revenues also are pledged to the payment of obligations the City has incurred under certain agreements executed in connection with the issuance and delivery of the Series 2008 Bonds (see "SECURITY FOR THE BONDS - 2008 Credit and Swap Agreements"), which constitute "Prior Lien Obligations" under the terms of the Ordinance. The pledge of the 4.5% HOT securing the Prior Lien Obligations is senior to the pledge of the 4.5% HOT securing the Bonds. The Special Hotel Occupancy Tax is **not** pledged to or available to pay the Bonds.

In the Ordinance, the City has limited its ability to issue obligations secured by a lien on and pledge of the 4.5% HOT senior to the lien on and pledge of the 4.5% HOT related to the Bonds to refundings of the Series 2008 Bonds or the Series 2012 Bonds, or refundings of those refundings, for debt service savings. When the Prior Lien Obligations are no longer Outstanding the Bonds will be secured by a first lien on and pledge of the 4.5% HOT.

2008 Credit and Swap Agreements

The Series 2008 Bonds are issued as two subseries, Subseries A and Subseries B. The payment of scheduled principal of and interest on each subseries of the Series 2008 Bonds, as well as the purchase price of Series 2008 Bonds subject to optional or mandatory tender for purchase, will be payable from amounts received under separate letters of credit, the "Subseries A Letter of Credit" and the "Subseries B Letter of Credit", respectively, each issued by JPMorgan Chase Bank, National Association ("JPM"). The credit and liquidity amounts of the Subseries A Letter of Credit and the Subseries B Letter of Credit each are calculated on the basis of the currently outstanding principal amount of the Subseries of Series 2008 Bonds for which it is issued, plus forty-eight (48) days accrued interest thereon at the rate of twelve percent (12%) per annum calculated on the basis of a 365/366 day year. Each Letter of Credit will expire on July 25, 2014, unless extended or terminated sooner in accordance with the terms of the reimbursement agreement pursuant to which each Letter of Credit was issued (the "Reimbursement Agreement") and the terms of the Subseries A Letter of Credit and Subseries B Letter of Credit. The Prior Lien Pledged Revenues will be used to reimburse JPM for draws on the respective Letters of Credit in the payment of scheduled principal of and interest on each subseries of the Series 2008 Bonds.

In addition to the payment obligations of the City under the terms of the Reimbursement Agreement, in conjunction with the delivery of the Series 2008 Bonds, the City entered into an ISDA Master Agreement dated as of August 7, 2008, a schedule attached thereto and a confirmation, dated as of August 7, 2008, all between the City and Morgan Keegan Financial Products, Inc. ("MKFP"), a Replacement Transaction Agreement, dated as of August 7, 2008, between the City, MKFP and Deutsche Bank AG, New York Bank ("Deutsche Bank") and a Credit Support Annex, dated as of August 7, 2008, between the City and Deutsche Bank (collectively, the "Series 2008 Interest Rate Management Agreement"). Under the terms of the Series 2008 Interest Rate Management Agreement, the City is obligated to make payments to MKFP calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2008 Bonds and a fixed interest rate of 3.2505% per annum, and MKFP is obligated to make reciprocal payments to the City calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2008 Bonds and a variable rate equal to 67% of the one-month London Interbank Borrowing Rate ("LIBOR") for U.S. deposits. Payments under the Series 2008 Interest Rate Management Agreement will be made on a net basis on the fifteenth day of each month, commencing in September 2008 and ending in November 2029. Interest on the Series 2008 Bonds is calculated on the basis of an index that differs from the LIBOR index used to calculate amounts payable to the City under the terms of the Series 2008 Interest Rate Management Agreement. The City entered into the Series 2008 Interest Rate Management Agreement in conjunction with the issuance of the Series 2008 Bonds in order to effect and quantify a debt service savings on outstanding bonds that were refunded with the proceeds of variable rate bonds. On the effective date of the Series 2008 Interest Rate Management Agreement, MKFP, as a result of the Credit Support Agreement with Deutsche Bank, was rated Aa1 by Moody's, and AA by S&P. Payments to be made by the City, if any, under the terms of the Series 2008 Interest Rate Management Agreement (other than a "termination payment" as discussed below) are payable solely from and equally and ratably secured by a lien on the revenues securing the Series 2008 Bonds of equal rank and dignity with the lien and pledge securing the payment of the Series 2008 Bonds. As of October 15, 2013, the net aggregate monthly payments the City has made under the Series 2008 Interest Rate Management Agreement equal ($2,593,840.86).

Market Factors and Hotel Occupancy Taxes

The generation of revenues from Hotel Occupancy Taxes is subject to a variety of factors, none of which are within the City's control. Collections can be adversely affected by (a) changes in State law and administrative practices governing the remittance and allocation of Hotel Occupancy Tax receipts and (b) changes in economic activity and conditions within the City and general geographic area. The amount of Hotel Occupancy Taxes received by the City is dependent upon people visiting the City and staying in hotels and motels. Many factors may affect the City's collection of these revenues, including (but not limited to) fuel prices, general costs of living, employment levels of employers within and outside the City, discretionary spending on items that would produce revenues from Hotel Occupancy Taxes, and the overall impact of the economy to individuals that would otherwise be contributing to the Hotel Occupancy Tax base. The City is unable to predict what impact economic conditions such as these may have on its continued collection of Hotel Occupancy Taxes.

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Historical Hotel Occupancy Tax Receipts

Effective January 1, 1971, pursuant to state law and an implementing ordinance, the City began levying a tax upon the cost of occupancy of any qualified hotel room. The City ordinance authorizing this tax also provides rules and regulations for collection, describes violations, requires reports and provides penalties for violations. The current tax is levied at a rate of at least 7% on the cost of occupancy of any qualified hotel room to the hotel. In addition, beginning in Fiscal Year 1998, an additional 2% tax is levied on the cost of occupancy of any qualified hotel room, and has been collected since August 1, 1998 as the Special Hotel Occupancy Tax. **The Special Hotel Occupancy Tax is not pledged to or available to pay the Bonds.**

The following table summarizes historical Hotel Occupancy Tax receipts for fiscal years 1995 through 2013.

Fiscal Year Ended September 30 (1)	(In thousands) 1st Quarter October -December	2nd Quarter January - March	3rd Quarter April - June	4th Quarter July - September	Total	Total Hotel Tax Revenue	Annual Increase/ (Decrease)
1995	$ 3,115	$ 2,870	$ 3,501	$ 3,622	$13,108	$ 8,447	14.90%
1996	3,494	3,203	3,763	3,756	14,216	9,167	8.45%
1997	3,537	3,353	3,860	4,447	15,197	9,783	6.90%
1998 (2)	4,539	4,284	4,936	5,030	18,789	12,107	23.64%
1999	5,612	5,552	6,375	7,048	24,587	17,613	30.86%
2000	6,637	6,264	7,573	8,258	28,732	20,758	16.86%
2001 (3)	7,595	7,670	8,043	7,809	31,117	22,488	8.30%
2002	5,832	5,355	6,350	7,212	24,749	17,881	-20.46%
2003	5,766	5,874	7,045	6,793	25,478	18,422	2.95%
2004	6,136	5,413	6,537	7,268	25,354	18,328	-0.49%
2005	6,847	6,393	7,901	8,936	30,077	21,763	18.63%
2006	7,730	8,673	9,610	10,545	36,558	26,455	21.55%
2007	9,739	9,481	11,485	11,428	42,133	30,495	15.25%
2008	10,923	10,087	11,641	12,431	45,082	32,609	7.00%
2009	10,690	9,797	10,779	9,886	41,152	29,734	-8.72%
2010	9,177	9,013	10,832	10,639	39,661	28,669	-3.62%
2011	10,157	10,872	13,153	12,545	46,727	33,806	17.82%
2012	11,279	11,503	14,511	13,666	50,959	36,868	9.06%
2013	11,631	15,010	16,703	16,211	59,555	43,059	16.87%

(1) Unaudited
(2) Fiscal Year 1998 and each Fiscal Year thereafter includes the Special Hotel Occupancy Tax. Tax levy increased from 7% to 9% effective August 1, 1998, pursuant to Ordinance No. 980709-G, which amended Section 5-3-2(a) of Chapter 5-3 of Title V of the 1981 Code of the City of Austin.
(3) Beginning in fiscal year 2001, the City implemented GASB Statement No. 33, which changes the method of reporting tax collections in the City's financial statements. This table will continue to be reported on a cash basis to provide a more meaningful comparison.

Source: City of Austin, Texas Convention Center.

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Annual Collection of 4.5% and 2.0% HOT (1)

Fiscal Year Ended September 30	Hotel Tax Revenues		
	4.5% (2)	2.0% (3)	Total
1999	$12,598,455	$ 5,014,509	$17,612,964
2000	14,398,555	6,359,687	20,758,242
2001	15,579,972	6,908,352	22,488,324
2002	12,379,696	5,501,539	17,881,235
2003	12,753,939	5,667,852	18,421,791
2004	12,689,169	5,639,067	18,328,236
2005	15,066,905	6,695,733	21,762,638
2006	18,315,857	8,139,567	26,455,424
2007	21,112,260	9,382,288	30,494,548
2008	22,575,874	10,032,718	32,608,592
2009	20,585,976	9,148,406	29,734,382
2010	19,848,506	8,820,676	28,669,182
2011	23,404,852	10,401,132	33,805,984
2012	25,524,938	11,343,283	36,868,221
2013 Unaudited	29,811,094	13,248,050	43,059,144

(1) Includes interest earnings.
(2) Constitutes the "Pledged Hotel Occupancy Tax Revenues" under the Ordinance.
(3) Constitutes the "Special Hotel Occupancy Tax Revenues" under the Ordinance.
Source: City of Austin, Texas Convention Center.

Flow of Funds

The Ordinance provides for the following flow of funds with respect to the Pledged Hotel Occupancy Tax Revenues.

(a) Flow of Funds Regarding Pledged Hotel Occupancy Tax Revenues. The City covenants and agrees that all Pledged Hotel Occupancy Tax Revenues shall be deposited as received into the Tax Fund. Money from time to time credited to the Tax Fund shall be applied as follows in the following order of priority:

First, to transfer all amounts to the Prior Lien Bond Fund required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances) after taking into account the Special Hotel Occupancy Tax Revenues available for this purpose and deposited to the Prior Lien Bond Fund.

Second, to transfer all amounts to the Prior Lien Debt Service Reserve Fund required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances) after taking into account the Special Hotel Occupancy Tax Revenues available for this purpose and deposited to the Prior Lien Debt Service Reserve Fund.

Third, to transfer to the 4.5% Hotel Occupancy Tax Bond Fund (the "Bond Fund") all amounts necessary to provide for the payment of Parity Obligations.

Fourth, to transfer to the 4.5% Hotel Occupancy Tax Reserve Fund (the "Reserve Fund") the amounts required pursuant to the provisions of the Ordinance with respect to the Reserve Fund (see "- Reserve Fund" below).

Fifth, to the payment of all Termination Obligations on a *pari passu* basis; and

Sixth, for any lawful purpose under the Tax Act.

Bond Fund

Subject to satisfying the required payments for the benefit of the Prior Lien Bonds in accordance with the ordinances authorizing their issuance, the City covenants and agrees that before each interest payment date, stated maturity date and mandatory redemption date for the Parity Bonds (and before the dates payments are due on other Parity Obligations) there shall be deposited into the Bond Fund from the Pledged Revenues, an amount equal to one hundred percent (100%) of the amount required to fully pay the amount then due and payable on the Parity Obligations, and such deposits shall be made in substantially equal quarterly installments (based on the total annual Debt Service Requirements to be paid on the Parity Obligations divided by the number of Transfer Dates to occur during the period covered by such calculation) on or before each Transfer Date, beginning on the first Transfer Date to occur after the delivery of the Bonds.

In addition, on each Transfer Date, the City covenants and agrees to cause to be deposited into the Bond Fund from the Pledged Revenues an amount calculated to pay all expenses of providing for the full and timely payment of the principal of, premium, if any, and interest on the Parity Bonds in accordance with their terms, including without limitation, all fees charged or incurred for paying agent/registrar services rendered in connection with the Parity Bonds.

Money credited to the Bond Fund shall be used solely for the purpose of paying on a *pari passu* basis (except as otherwise provided) principal (at maturity or prior redemption or to purchase Parity Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on Parity Bonds and all other amounts due on other Parity Obligations, plus all other charges, costs and expenses relating to such payment, including those described in the preceding paragraph. On the Business Day immediately preceding each payment due date for the Parity Obligations, the City shall transfer from the Bond Fund and Reserve Fund, if necessary, to the appropriate paying agent/registrar amounts equal to the amounts due on the Parity Obligations on the due date.

The City may establish and utilize accounts within the Bond Fund as it may, from time to time, deem appropriate.

Reserve Fund

(a) The Reserve Fund is established for the benefit of the Parity Bonds. The City reserves the right, in connection with the issuance of a series of Parity Bonds, to establish within the Reserve Fund as account to provide additional security for Holders of a series of Parity Bonds. If an account within the Reserve Fund is established for the benefit of Holders of a series of Parity Bonds, the Required Reserve Requirement for a series of Parity Bonds will be funded either with cash or with a Reserve Fund Surety Bond issued by an insurance company or other entity that is rated as of the date of acquisition of the Reserve Fund Surety Bond (either for the long term unsecured debt of the issuer of such Reserve Fund Surety Bond or for obligations insured, secured or guaranteed by such issuer) no lower than A- or its equivalent by at least one major municipal securities credit rating service (a "Surety Bond Provider"). In connection with a Reserve Fund Surety Bond, any Authorized Official may approve the terms and form of the Reserve Fund Surety Bond and of a guaranty or other agreement pursuant to which the City is obligated to pay premiums, fees and reimbursement obligations owing to the Surety Bond Provider (a "Guaranty Agreement").

(b) With respect to the Bonds, the City shall establish within the Reserve Fund a "Series 2013 Reserve Account" and maintain a balance the Series 2013 Reserve Account equal to the Reserve Fund Requirement for the Bonds. A Reserve Fund Surety Bond in the amount of the Reserve Fund Requirement for the Bonds will be issued by the Surety Bond Provider (as specified in the Pricing Certificate) and shall be deposited to the credit of the Series 2013 Reserve Account of the Reserve Fund to fully fund the Reserve Fund Requirement for the Bonds. The Reserve Fund Requirement for the Bonds will be specified in the Pricing Certificate and a substantial copy of the agreement by and between the City and Surety Bond Provider will be attached to and approved in the Pricing Certificate by the Pricing Officer.

(c) Any draws on the Reserve Fund Surety Bond or other credit agreements funding the Reserve Fund Requirement for a series of Parity Bonds on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each applicable surety bond or credit agreement) after applying available cash and investments in the Reserve Fund.

(d) At the end of any Transfer Period in which the Reserve Fund contains less than the Reserve Fund Requirement, or in which the City is obligated to repay or reimburse any issuer of a Reserve Fund Surety Bond (in the event a Reserve Fund Surety Bond is drawn upon), then after making all required transfers to the Bond Fund, there shall be transferred into the Reserve Fund from the available Pledged Revenues on each Transfer Date amounts necessary to reestablish the Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Reserve Fund Surety Bond. After the Reserve Fund Requirement has been accumulated in the Reserve Fund and after satisfying any repayment obligation to any issuer of a Reserve Fund Surety Bond and so long thereafter as the applicable account within the Reserve Fund contains such amount and all such repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts on deposit may be transferred to the Bond Fund. But, if and whenever the balance in the Reserve Fund is reduced below the Reserve Fund Requirement, or any Reserve Fund Surety Bond repayment obligations arise, transfers to the Reserve Fund shall be resumed and continued in the manner stated above to restore the Reserve Fund Requirement and to pay any reimbursement obligations.

(e) The Reserve Fund shall be used to pay the principal of and interest on a series of Parity Bonds for which an account within the Reserve Fund is established at any time when there is not sufficient money available in the Bond Fund for such purpose and to make any payments required to satisfy repayment obligations to issuers of Reserve Fund Surety Bonds, and may also be used to make the final payments for the retirement or defeasance on a series of Parity Bonds for which an account within the Reserve Fund is established.

(f) When and if a series of Additional Bonds is issued, Council shall determine whether a reserve account shall be created and a Reserve Fund Requirement maintained for the payment and security of a series of Additional Bonds then being issued. To the extent a reserve account is created for a series of Additional Bonds, the Reserve Fund Requirement may be funded wholly or partly in cash or by a Reserve Fund Surety Bond as provided in the ordinance authorizing the issuance of the Additional Bonds.

Reserve Fund Surety Bond and Assured Guaranty Municipal Corp.

In accordance with the provisions of the Ordinance, the Reserve Fund Requirement related to the Bonds will be funded with a debt service reserve insurance policy, constituting a Reserve Fund Surety Bond pursuant to the terms of the Ordinance, issued by Assured Guaranty Municipal Corp. ("AGM") and will be deposited to the credit of the Series 2013 Reserve Account of the Reserve Fund on the date of delivery of the Bonds.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Capitalization of AGM

At September 30, 2013, AGM's consolidated policyholders' surplus and contingency reserves were $3,458,464,281 and its total net unearned premium reserve was $1,902,038,053, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 (filed by AGL with the SEC on August 9, 2013); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (filed by AGL with the SEC on November 12, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under this "SECURITY FOR THE BONDS – Reserve Fund Surety Bond and Assured Guaranty Municipal Corp." caption or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under this "SECURITY FOR THE BONDS – Reserve Fund Surety Bond and Assured Guaranty Municipal Corp." caption.

Investment of Funds; Transfer of Investment Income

(a) Money in all funds and accounts shall, at the option of the City, be invested in the manner provided by Texas law and the City's investment policy; except all deposits and investments shall be made in a manner that the money required to be expended from any fund will be available at the proper time or times. All investments shall be valued no less frequently than the last Business Day of the City's Fiscal Year at market value, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. For purposes of maximizing investment returns, money in the funds and accounts may be invested, together with money in other funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be considered to be a loss of the segregation of the money or funds if safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and the share purchased is held by or on behalf of each designated fund or account. If and to the extent necessary, such investments or participations in these funds shall be promptly sold to prevent any default.

(b) All interest and income derived from deposits and investments credited to the Bond Fund and Reserve Fund shall remain a part of the fund or account from which an investment was made, and the investment interest and income shall reduce by like amount any required transfer to any fund or account from the Pledged Revenues, except at any time when the Reserve Fund has on deposit an amount more than the Reserve Fund Requirement, all investment interest and income received on any investment of funds in the fund or account shall be deposited to the credit of the Bond Fund.

(c) Notwithstanding anything to the contrary contained in the Ordinance, any interest and income derived from deposits and investments of any amounts credited to any fund or account may be (i) transferred into any rebate account or subaccount and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel the payment is required to comply with any covenant contained in an order, resolution or ordinance to prevent interest on any Parity Bonds from being includable within the gross income of the owners thereof for federal income tax purposes.

Additional Bonds

(a) *No Prior Lien Bonds*. Other than refunding bonds to refund the Prior Lien Bonds resulting in a debt service savings, the City covenants that it will not issue any additional bonds or incur other obligations payable from and secured by a lien on and pledge of the Pledged Revenues that is senior to the lien securing the Parity Obligations.

(b) *Refunding Bonds*. The City expressly reserves the right to issue refunding bonds resulting in a debt service savings to refund all or a portion of the Parity Bonds or to refund any refunding bonds previously issued to refund all or a portion of the Parity Bonds without having to meet the conditions specified in the Ordinance. The refunding bonds may be secured by a lien on Pledged Revenues on a parity with or subordinate to the lien securing the Parity Bonds.

(c) *Other Additional Bonds.*

(1) In regard to the Pledged Revenues, the City reserves and retains the right to issue or incur additional obligations for any lawful purpose secured wholly or partly by a parity lien on the Pledged Revenues or by a lien junior and subordinate to the lien on the Pledged Revenues securing payment of the Parity Bonds; provided, however, that no Parity Bonds shall be issued unless the following conditions are satisfied:

(i) the City's Chief Financial Officer (or other officer of the City having primary responsibility for the financial affairs of the City) shall provide a certificate showing that, for the City's most recent completed Fiscal Year or for any consecutive 12-month period out of the most recently 18 months preceding the month the ordinance authorizing the issuance of the Parity Bonds is adopted (the "Coverage Period"), the Pledged Hotel Occupancy Tax Revenues for the Coverage Period are equal to at least 125% of the maximum annual Debt Service Requirement of all Prior Lien Bonds and Parity Bonds then Outstanding scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Parity Bonds, if any, proposed to be issued, and deducting from the maximum annual Debt Service Requirement for the Prior Lien Bonds and Parity Bonds then outstanding an amount equal to the revenues received from the Special Hotel Occupancy Tax for the Coverage Period to be applied to the Debt Service Requirement for any then Outstanding Prior Lien Bonds; and

(ii) if an account within the Reserve Fund is created for a series of Parity Bonds, provision is made in the ordinance authorizing issuance of the Parity Bonds for the complete funding of any required reserves for payment of principal of and interest on the series of Parity Bonds (whether by cash deposits or through a Reserve Fund Surety Bond or a combination of these sources) as of their initial delivery.

(2) Among the future obligations authorized to be issued or incurred pursuant to the Ordinance are Credit Agreements executed in support of Parity Bonds. The City may enter into a Credit Agreement payable from and secured wholly or partly by a lien on Pledged Revenues if it obtains written confirmation from each Rating Agency then rating the Parity Bonds at the request of the City that the issuance of the Credit Agreement will not cause a withdrawal or reduction in the rating then assigned to the Outstanding Parity Bonds. The City may secure its obligations under a future Credit Agreement executed in support of Parity Bonds by a lien on Pledged Revenues if such lien is on a parity with or subordinate to the lien securing the Parity Bonds; provided, however, that confirmation is not required for Interest Rate Management Agreements executed in support of Parity Bonds.

(3) If the City issues additional Parity Bonds that constitute Variable Rate Obligations, it shall use the following procedures for purposes of determining the maximum and the average annual Debt Service Requirements of the Variable Rate Obligations:

(i) At the sole discretion of the City, Variable Rate Obligations shall be deemed to bear interest at one of the following rates: (A) an interest rate equal to the average rate borne by the Variable Rate Obligations (or by comparable debt if the Variable Rate Obligations have not been outstanding during the preceding 24 months) for any 24-month period ending within 30 days before the date of calculation; (B) if the City has entered into a related Credit Agreement in the nature of an Interest Rate Management Agreement, the rate payable by the City under the Interest Rate Management Agreement; or (C) an interest rate equal to the 30-Year Tax-Exempt Revenue Bond Index rate as published in <u>The Bond Buyer</u> on any date selected by the City within 30 days before the date of calculation. If this index is no longer published in <u>The Bond Buyer</u>, an index of tax-exempt revenue bonds with maturities of 20 years, or more, published in a financial newspaper or journal with national circulation may be selected by the City and used for this purpose.

(ii) If the City has entered into a Credit Agreement in connection with an issue of obligations payable from and secured by Pledged Revenues, (X) payments due under the Credit Agreement, from either the City or the other party to the Credit Agreement, shall be included in the debt service calculation except to the extent that the payments are already taken into account in the debt service calculation, (Y) any payments that would otherwise be included under the debt service calculation which are to be replaced by payments under a Credit Agreement from either the City or the other party to the Credit Agreement shall be excluded from the debt service calculation, and (Z) payments due under a Credit Agreement that are paid at a variable rate shall be deemed to be made at a fixed rate determined in a manner consistent with paragraph (c)(1)(i) above. For any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making the calculation and for prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

(4) If the City has entered into a Credit Agreement to discharge or purchase any of its obligations payable from or secured by Pledged Revenues under arrangements where the City's obligation to repay the amounts advanced under the Credit Agreement for the discharge or purchase is payable over more than one year from the advance under the Credit Agreement, then the portion of the obligations committed to be discharged or purchased pursuant to the Credit Agreement shall be excluded from any calculation of debt service requirements, and the principal of and interest requirements that constitute the City's reimbursement obligation shall be added.

(5) In determining the Pledged Hotel Occupancy Tax Revenues available to satisfy the coverage requirements of condition (c)(1) above, the City may take into consideration an increase in the portion of the Pledged Hotel Occupancy Tax Revenues that became effective during the Coverage Period and, for purposes of satisfying the above coverage tests, make a pro forma determination of the Pledged Hotel Occupancy Tax Revenues for the Coverage Period based on the increased portion of the Pledged Hotel Occupancy Tax Revenues being in effect for the entire Coverage Period.

(6) Any Additional Bonds may bear any name or designation provided by the ordinance authorizing their issuance and may be issued in such form and manner as may be authorized by law at the time of their issuance. Furthermore, the Additional Bonds may be secured by any other source of payment lawfully available for this purpose, including a Credit Agreement, financial guaranty insurance policy or similar credit or liquidity support. Any Reimbursement Obligation or obligation under a Credit Agreement may be secured by Pledged Revenues on a basis *pari passu* with the Parity Bonds.

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THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. Currently, the City Council is comprised of a Mayor and six council members elected at-large for three-year staggered terms. As a result of an amendment to the Austin City Charter approved at an election held November 2012, all current terms of the City Council will expire November 2014. In November 2014, the configuration of the City Council will change to an eleven member council, with the Mayor to be elected at large and the remainder of the council to be elected from ten single member districts. See APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY - Governance".

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 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.

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 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.

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, the Water and Wastewater System, an airport and two public event facilities. See "APPENDIX A - The Convention Center and Venue Project".

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.

Pension Plans

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

Effective October 1, 2012, the 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 16.7% of payroll, and the City contributes 21.05%. The Police Officers contribute 13.0% and the City contributes 21.63% of payroll.

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, 2012, the amortization period of the unfunded actuarial accrued liability for the City of Austin Employees Retirement System ("COAERS") was 27.0 years and for the Police Officer's Fund was 29.4 years.

As of December 31, 2012, the actuarial accrued liability for the COAERS was $2,968,400,000 and the funded ratio was 63.9%. The actuarial accrued liability for the Police Officer's Fund was $856,577,000 and the funded ratio was 65.2%.

An actuarial study is conducted in odd number years only for the Firefighters Fund. As of December 31, 2011, the amortization period for the Firefighters Fund was 20.9 years and the actuarial accrued liability for the Firefighters Fund was $746,143,000; the funded ratio was 87.3%.

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 2011, the 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 will contribute an additional 10% in FY 2013 pursuant to the terms of the SFP, which will bring 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, has been 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 – "Annual Financial Report – Note 7" for additional information on the City's Pension Plans.

Other Post-Employment Benefits

In addition to providing pension benefits, the City provides certain health care and insurance benefits to its retirees ("OPEB"). Any retiree who is eligible to receive retirement benefits under any of the City's three pension plans is eligible for these benefits. Post-retirement benefits include health, dental, vision, and $1,000 of life insurance. The City pays a portion of the retiree's medical insurance premiums and a portion of the retiree's dependents' medical insurance premium. The portion paid by the City varies according to age, coverage selection and years of service. The City pays the entire cost of the premium for life insurance for the retiree.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund. The estimated cost of providing these benefits for 3,731 retirees was $24.2 million in 2012 and $22.7 million in 2011 for 3,529 retirees.

As of September 30, 2012, the City's unfunded actuarial accrued liability is approximately $1.5 billion; the net OPEB obligation is $493.1 million. The City has worked with a task force consisting of employees and retirees to determine which elements of the retiree health care plan they value most highly. Using their input and information from other sources, the City has run alternate scenarios to assess the effect these would have on reducing retiree benefits or developing other cost-sharing strategies. Cost reduction strategies have also been implemented.

See APPENDIX B – "Annual Financial Report – Note 8" 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 $6.3 million for claims and damages at the end of fiscal year 2012. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

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 of obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if: (i) the value of securities loaned under the program must not be collateralized at less than 100%, including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (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 the type 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 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, the City Treasurer and Investment Officers.

Current Investments

As of September 30, 2013, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	2%
U. S. Agencies	54%
Money Market Funds	3%
Local Government Investment Pools	41%

The dollar weighted average maturity for the combined City investment portfolios is 321 days. The City prices the portfolios weekly utilizing a market pricing service.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. The form of Bond Counsel's opinion is attached hereto as APPENDIX D.

Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 will be computed.

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the Holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of this Official Statement under the headings "SECURITY FOR THE BONDS – Historical Hotel Occupancy Tax Receipts" and "SECURITY FOR THE BONDS – Annual Collection of 4.5% and 2.0% HOT" and in APPENDIX B. The City will update and provide this information within six (6) months after the end of each fiscal year, beginning with the fiscal year ending in 2013. The City will provide the updated information to the MSRB through its EMMA system.

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

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

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of holders of the Bonds, if material;
(8) Bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the City;
(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.

The Bonds do not make any provision for credit 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 Bond Ordinance.

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 Bonds, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Except as described in this paragraph, during the last five (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. The City did not file its unaudited or audited financial statements for the fiscal years ending September 30 in each of the years 2008 and 2011 by the required deadline of March 31 of the next succeeding year. The audited financial statements of the City for each such fiscal year were filed no later than 31 days after March 31 of the next succeeding year. Annual financial information and operating data of the City was filed by the required time in accordance with the City's continuing disclosure agreements in the above-cited years in which the audited financial statements were filed after March 31 of the next succeeding year. The City has filed event notices in connection with each late filing. In addition, multiple rating changes occurred with respect to certain obligations of the City between 2008 and 2012, 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. The City has implemented procedures to ensure timely filing of all future financial statements and event notices.

OTHER RELEVANT INFORMATION

Ratings

The Bonds have received ratings of "A1" by Moody's and "A" by S&P. An explanation of the significance of such ratings may be obtained from the organization furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or all of such rating companies, if in the judgment of one or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Public Financial Management, Inc. ("PFM"), the City's financial advisor, will not undertake any responsibility to notify bondholders of any such revisions or withdrawals of rating.

Registration and Qualification of Bonds

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

Legal Opinions

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the City in accordance with their terms payable solely from Pledged Revenues in the manner provided in the Ordinance and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The form of Bond Counsel's opinion is attached hereto as APPENDIX D. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in their capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions "PLAN OF FINANCING," "DESCRIPTION OF THE BONDS" (except for the information under the subheading "Bondholders' Remedies"), "SECURITY FOR THE BONDS" (except for the information under the subheading "Historical Hotel Occupancy Receipts"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subheading "Compliance with Prior Undertakings"), "OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds," "OTHER RELEVANT INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER RELEVANT INFORMATION - Legal Opinions," and in "APPENDIX C," "APPENDIX D" and "APPENDIX E" to verify that the information relating to the Bonds and the Ordinance contained under such captions and in APPENDIX C, APPENDIX D and APPENDIX E in all respects accurately and fairly reflect the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. The opinion of Bond Counsel will accompany the global certificates deposited with DTC in connection with the use of the Book-Entry-Only System. Certain legal matters will be passed on for the Underwriters by their counsel, Bracewell & Giuliani LLP. The fee to be paid to the counsel for the Underwriters is contingent on the delivery of the Bonds.

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

Financial Advisor

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

Independent Auditors

The financial data as of and for the fiscal year ended September 30, 2013 herein 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 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.

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 cover page of this Official Statement, less an underwriting discount of $128,752.85. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

Piper Jaffray & Co. ("Piper") and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper, including the Bonds. Under the Agreement, Piper will share with Pershing LLC a portion of the fee or commission paid to Piper.

Forward-Looking Statements

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official

Statement will prove to be accurate.

Verification of Arithmetical and Mathematical Calculations

Upon the delivery of the Bonds, the Arbitrage Group, Inc. (the "Verification Agent"), a firm of independent certified public accountants, will deliver to the City its report indicating that they have examined (a) the mathematical accuracy of computations prepared by PFM relating to the sufficiency of the proceeds of the Bonds and the City contribution deposited to the credit of the Escrow Fund to effect the defeasance of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

Miscellaneous Information

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

The City approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the offering of the Bonds by the Underwriters.

Lee Leffingwell
Mayor
City of Austin, Texas

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

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information has been presented for informational purposes only.

General Information

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor and six Councilmembers. The Mayor and Councilmembers are elected at large for three-year staggered terms with a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to them for the management of all City employees and the administration of all City affairs. With the passage of Propositions 1 – 3 on November 6, 2012, several changes to the Austin City Council will take place beginning with the November 2014 election. The Austin City Council will expand from 7 to 11 members; elections will move from May to November in even-numbered years, Council terms will lengthen from 3 years to 4, and 10 geographic districts will be established for City Council representation, mandating that a Council Member live within the district that he/she represents. The Mayor still will be elected citywide. See "- Governance."

Austin, the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) with a September 2012 population of 821,012, according to the City's estimates. Over the past ten years, Austin's population has increased by approximately 146,293 residents, or 21.7%. Geographically, Austin consists of approximately 319 square miles. The current estimated median household income for Austin residents is $46,436, according to Claritas, a Nielsen company. Austin's per capita income is estimated to be $39,405 based on analysis of the Bureau of Economic Analysis information.

Austin 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. Austin 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; it sits on the edge of the Chihuahuan desert existing as a physical and cultural oasis where talented, entrepreneurial, hard-working people are drawn from all over the world. 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. According to the City Demographer, the City of Austin has crossed the threshold of becoming a Majority-Minority city, meaning no ethnic or demographic group exists as a majority of the city's population. The growth of other ethnic groups has outpaced the growth of Anglo households. The result is a reduction in the City's Anglo share of total population to below 50%, where it is expected to stay for the foreseeable future.

The City of Austin is fortunate to offer a host of broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with approximately 45 percent of adults twenty-five years or older holding a bachelor's or advanced degree, compared to 28 percent for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area. The Austin metropolitan area is host to seven universities and six other institutions of higher learning. The University of Texas at Austin (UT), the fifth largest public university in the nation, is known as a world-class center of education and research and was ranked 45th nationally and 13th among public universities in the 2012 U.S. News and World Report survey of undergraduate programs.

Local Economy

The City of Austin's vision of being the most livable city in the country means that Austin is a place where all residents participate in its opportunities, vibrancy and richness of culture and diversity. 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 in the City. Local government plays a critical role in determining a city's quality of life and Austinites clearly play a critical role in local government. In June 2012, 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 the City wants to go, setting a context to guide decision-makers for the next 30 years. This plan, headed by a 38-member Citizens' Advisory Task Force, took more than two years to develop, with tens of thousands of Austinites helping to shape it throughout the public process. The resulting plan adheres to 6 core principles established by the citizens of Austin:

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

Austin set the standard for community engagement with the public input process of the Imagine Austin Comprehensive Plan, with the City's efforts being cited by the Alliance for Innovation, the National League of Cities and the Texas Transportation Institute as a "best practice". Austin's success is attributable to the hard work, thoughtfulness, and passion of the City Council, City employees, and Austinites themselves. Austin's rankings reflect a City government that keeps its vision in the forefront while planning for the future.

For the third year in a row, Austin topped Forbes' list of America's Fastest-Growing Cities, citing Austin as an economic powerhouse. The Austin metropolitan area ranked number 2 in the 2012 Milken Institute Best-Performing Cities Index, up 2 spots from number 4 in 2011. The index ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The components include job, wage and salary, and technology growth. Five other Texas cities and metropolitan areas, including Houston, Fort Worth, Dallas, El Paso, Lubbock, and San Antonio were also included in the report's top 25 best performing large cities. NerdWallet listed Austin as the clear winner as the best choice for job-seekers due to Austin's high percentage growth in population, income, low cost of living, and low unemployment rate.

Nearly all Texas metro areas had more jobs in December 2012 than in December 2011; the Austin metro area, with a 4.3% employment growth rate, ranked first in job creation. Austin's unemployment rate was at 5.0% in December 2012, down from 6.1% in December 2011; the State and National unemployment rates in December 2012 were 6.0% and 7.7%, respectively.

Austin-area home sales hit a six-year high for the month of December 2012 and saw 2012 end with increased sales volume, stable prices, and strong demand. Sales tax revenue has shown positive growth over the past three fiscal years. Fiscal year 2012 experienced a robust 8.6% increase over fiscal year 2011, which was a 4.4% increase over the previous fiscal year. During 2012, Austin-Bergstrom International Airport (ABIA) set an all-time record with 9.4 million passengers. The annual passenger total increased by 4% from the previous record year of 2011. ABIA has experienced consistent passenger growth for three consecutive years. The growing local economy in Austin relies on quality air service to foster business, government, and leisure travel.

Austin continues to be a destination for both business and recreational activities. The Austin metropolitan area is consistently recognized as among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. In 2012, the City's economic development efforts resulted in executed contracts with Apple, HID Global, and Visa, resulting in 4,705 new full-time jobs and capital investment of $345.7 million. The City also launched a public/private Family Business Loan Program for small businesses and assisted in the startup of 45 new small businesses.

Austin is known around the world as the "Live Music Capital of the World". In March 2013, South by Southwest (SXSW) hosted its 26th annual music festival, conference, and trade show, providing a unique convergence of original music, independent films, and emerging technologies. According to economic impact analysis posted on the SXSW website and prepared by Greyhill Advisors, the festival was responsible for injecting more than $190 million into the Austin economy. Austin earned the number 8 spot on the list of America's 50 Best Cities by Bloomberg BusinessWeek, indicating Austin as a major destination for top tech talent. Travel+Leisure Magazine gave Austin an overall ranking of number 12 on its list of America's Best Cities - ranking Austin second in the categories of active lifestyles and street foods, and third for music, barbecue, and singles scene.

There was much excitement throughout the City during 2012 as the City of Austin, in conjunction with the Circuit of the Americas™ (COTA), Federal agencies, the State of Texas, Travis County, Capital Metro, and other public and private partners put Austin on the international stage as the City prepared for its inaugural United States Formula One™ Grand Prix race. The event weekend, November 16 – 18, consisted of various festivals and events in the downtown area and was capped off Sunday afternoon at the Circuit of the Americas Grand Prix facility with Austin's first ever

Formula One™ race. The most obvious physical impact is the addition of the state-of-the art, $400 million dollar complex erected at the Circuit Of The Americas™, a 375-acre motorsports and entertainment venue constructed on a 1,000 acre site in southeast Travis County. In addition to being the first purpose-built Grand Prix facility in the United States, the complex houses a 40,000 square foot conference/media center, a 5,500 square foot medical center, and a 14,000 person capacity amphitheater, the largest of its kind in Texas. The facility will operate throughout the year, showcasing events such as Formula One™, Australian V8 Supercars, American LeMans series, Motocross, motorsport clubs, concerts, and foot and bicycle races.

Austin has ranked at the top of lists such as Forbes, Kiplinger's, Milken Institute, and others in regards to career choice, income, recreation opportunities, housing, and business start-up:

Top Ten Cities for Job-seekers
NerdWallet – January 2013

Top Housing Markets From 2012
RealityPin – December 2012

America's Fastest Growing Cities
Forbes – January 2013

Patenting Prosperity: Invention and Economic Performance in the United States and its Metropolitan Areas
The Brookings Institution – February 2013

America's Best Cities ranking
Travel + Leisure – November 2012

2012 Best Cities For Working Mothers
Forbes – October 2012

America's 50 Best Cities
Bloomberg BusinessWeek – September 2013

2012 State of the Year - Texas.
Business Facilities – January/February 2013

Long-Term Financial Planning

Austin leaders are continually looking towards and planning for the future. The Austin approach of balancing the budget by not relying on one-time solutions, while at the same time making key investments in its community, infrastructure, economy, sustainability, and 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 planning tool to develop the following year's operating budget. The City's budgeting approach emphasizes fiscal responsibility by limiting spending in a given year to projected revenue collections.

After 18 years without a rate increase, City Council approved a new rate structure for Austin Energy in June 2012 to ensure the financial sustainability of the utility for future generations. After much deliberation and discussion with customers and the Public Utility Commission, a settlement agreement was reached and unanimously approved by City Council in March 2013. The Austin Water utility also implemented a rate increase for fiscal year 2012, as well as a new rate structure that will significantly reduce revenue volatility, while maintaining strong price incentives that encourage conservation of this limited resource.

On November 6, 2012, Austin voters approved a $307 million bond program that will include 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 will be overseen by the Council-appointed Bond Oversight Committee, which is charged with ensuring the efficiency, equity, timeliness, and accountability in the implementation of the program.

On November 5, 2013, Austin voters approved a $65 million proposition for affordable housing.

Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. Because of the City's policies, the City's bond ratings for General Obligation bonds continue to be "AAA" by all three bond rating agencies, Moody's, Standard & Poor's and Fitch. In addition, the City's combined utility system revenue bonds were upgraded in June 2012 to Aa1 based on positive findings by Moody's of the City's sound financial practices, and the Aviation Department improved its Standard & Poor's credit rating from "A-" to "A", which will assist with the City's long-term sustainable growth plans and ability to secure funding at lower borrowing rates.

Budgetary Information

The structurally balanced fiscal year 2014 Approved Budget totals $3.3 billion and includes $799.8 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 Austin.

The 2014 Budget was developed in a manner true to the City's unwavering commitment to openness, transparency, and public engagement. This year's citizen engagement efforts included development of the award-winning "Budget Basics" video designed to educate stakeholders on the City's budget process. To elicit feedback from citizens, staff created the Budget-In-A-Box tool which enabled users to communicate their budget priorities through guided activities. In addition, this year staff also produced the inaugural Budget Highlights document. The flyer was distributed to residents—in both English and Spanish—via local print media shortly after the budget was proposed to Council and informed citizens of the major aspects of the fiscal year 2014 budget.

The fiscal year 2014 Approved Budget was approved with a decrease to the property tax rate of 0.02 cents, from 50.29 to 50.27 cents per $100 of taxable value. The approved tax rate acknowledges the city's positive economic outlook and balances the tax impact to property owners with the need to invest in the community and continue providing the services Austinites have come to expect. Included in the approved budget are moderate pay increases of 1.5% for civilian personnel effective October 2013 and an additional increase equal to a $750 annual increase effective April 2014. Police and EMS civil service employees will also receive base wage increases of 1.5% as well as increases associated with step and longevity pay as required in the approved terms of the negotiated contracts. The approved budget enhances public safety by adding 47 new police officer positions to maintain a ratio of 2.0 officers per 1,000 residents and also includes annualized costs for positions added in FY 2012-13 for the operation of the Hunters Bend, Kelly Lane, and Bee Caves stations. In 2012, citizens voted to make EMS civil service. The fiscal year 2014 budget includes funding needed to bring EMS' pay structure into compliance with state civil service laws. The Fire Department is adding 12 new positions to enhance permitting, inspection, employee safety, special events, and wildfire mitigation services. Service enhancements will be achieved through the addition of positions and funding to libraries, parks, and community centers, and the Planning Development & Review department.

Austin includes several enterprise activities, including a municipal owned electric utility, water/wastewater utility, airport, and other enterprise operations. 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 420,000 customers with a service territory of approximately 437 square miles and an approved budget for fiscal year 2014 of $1.36 billion in annual revenues. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and renewable energy sources. Austin Energy's capital improvement spending plan of $217.9 million includes funding for power production projects, Holly Power Plant decommissioning, alternative energy projects, distribution and transmission projects, customer billing projects, and other utility-wide support projects.

The City's enterprise activities also include the Austin Water Utility ("AWU"), which provides water and wastewater services to nearly 212,000 customers within Austin and surrounding areas. The fiscal year 2014 revenues from the sale of water and wastewater service and other revenue needed to cover operating requirements, debt service, and transfers out is $538.8 million which is higher than the projected increase in base revenues from system growth. To maintain financial balance, rates for water service, waste water service and reclaimed water are increasing by 7.4%, 2.3% and 16.5%, respectively, for a combined rate increase of 4.9%.

Other enterprise funds and their fiscal year 2014 revenue budgets include Aviation of $111.0 million and the Convention Center Operating and Tax Funds of $46.8 million, the latter of which is net of interfund transfers.

Major Initiatives

The City of Austin's vision is to be the most livable City in the country. In April 2007 and amended in 2009, the Austin City Council adopted the following policy priorities:

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

Best Managed City

The City of Austin has a mission to be the best managed city in the country. The City implements this mission through transparent business practices, excellence in public service, innovative leadership, and providing services that are reliable, safe, efficient, and above national standards. Sound Council direction, fiscal accountability and a talented workforce have combined to bring high-quality services that surpass the national average in customer satisfaction. In addition, when Austin is viewed by others, it receives high marks. Austin has recently been named the best big city for jobs by Forbes, the best U.S. city for small businesses by The Business Journals, and one of the Top 10 U.S. cities for its urban policies in the Future Metropolis Index. Local government plays a critical role in determining a city's quality of life, and the Best Managed City mission is fostering pride within not only the City's 12,000 employees but within the community as a whole.

Imagine Austin. In June 2012, the City Council adopted 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. This plan took more than two years to develop with tens of thousands of Austinites helping to shape it throughout the public process. Imagine Austin is not just another government plan collecting dust on a shelf. The City of Austin is organizing its operations, core services, decisions and investments around the Imagine Austin Comprehensive Plan. The City is also working with community partners to achieve its collective vision – a vision that sets a path to meeting the challenges of affordability and quality of life for years to come. The plan has also been linked with how the City invests in roads, buildings, housing, and other infrastructure. In 2012, after months of public input, the community responded to the need for investments in these areas, entrusting the City with more than $300 million in bonds to help meet current and future community needs.

The result of this unprecedented community input effort is a plan that adheres to the six core principles for action: 1) Grow as a compact, connected city, 2) Integrate nature into the city, 3) Provide paths to prosperity for all, 4) Develop as an affordable and healthy community, 5) Sustainably manage water, energy and other environmental resources, and 6) Think creatively and work together. Transforming these principles into reality will take many incremental steps over time. In order to make it easier to implement the Imagine Austin plan, cross-departmental and cross-jurisdictional action teams have been created for these areas. The following sections highlight some of the accomplishments that the City has already achieved within the six principles.

Grow as a Compact & Connected City. The Imagine Austin Comprehensive Plan will guide how and where future development occurs citywide. Complementing Imagine Austin is the Downtown Austin Plan, adopted by the City Council in December 2011. This plan serves the critical role of creating the best implementation strategy for development in the high-profile and vibrant downtown area. During the past year, City staff has made progress on important downtown projects such as the Waller Creek Tunnel and New Central Library. Groundbreaking for the first "library for the future" in the United States occurred on May 30, 2013. The library will be easily accessible to pedestrians, cyclists, and public transportation users as well as cars, and it will feature adaptable spaces to accommodate technology innovations.

Several web-based community applications were created last year, through the help of Code for America. These talented individuals worked with city staff and the community to create a wildfire prevention tool, lost and stray pet mapper, and a tool for providing direct feedback to the City via text messaging. One role of the new Office of Innovation will be to continue the momentum started by Code for America and make city data more accessible to the public.

Integrate Nature into the City of Austin. It is important for the City to protect and strengthen its "green infrastructure" – parks, greenbelts, rivers, lakes, and urban trails – so that the City can protect the natural environment and enhance recreational opportunities. The Roy and Ann Butler Hike and Bike Trail, one of Austin's natural gems, has been recently named one of the best runs in nature by Women's Health and The Nature Conservancy of Texas. Last year, the Parks and Recreation Department acquired 55 acres along Onion Creek in southeast Austin, achieving one of the top priorities of the department's long-range plan and one of the goals of the Travis County Greenprint for Growth. They also partnered with the Watershed Protection Department to establish No-Mow Growing Zones for the purpose of riparian restoration.

Provide Paths to Prosperity for All. Austin can harness its strong economy to expand opportunity and social equity for all residents. Last year, the Austin Public Library opened the Dell Discovery Lab at the Willie Mae Kirk Branch to help at-risk youth gain the skills necessary to be successful: critical thinking, communication, collaboration, and technological literacy. The Economic Development Department launched the $40 million public/private Family Business Loan Program for small businesses. And the Downtown Austin Community Court housed 20 individuals with substance abuse rehabilitation needs in a permanent supportive housing initiative through the Partnership Housing Program, funded by a federal grant awarded to the non-profit Caritas.

<u>Develop as an Affordable and Healthy Community.</u> An affordable community can only exist if the people who work in Austin – at all income levels – can afford to live in the City. Affordable housing is one of Austin's acute challenges, created by rising home prices, static median family income levels, and a short-supply of available rental units. Last year, $6,650,000 in proceeds of ad valorem tax supported bonds was allocated to build approximately 550 units of affordable housing. The Neighborhood Housing and Community Development Department also provided home repair assistance to more than 700 residents, thus preserving affordable housing in the Austin community by allowing many seniors and disabled individuals the opportunity to stay in their homes. In addition, the City changed its budgeting and forecasting methodology to work with other local taxing jurisdictions to gain a more comprehensive look at cross-jurisdictional taxing impacts with an eye toward affordability.

Funding for affordable housing has been an issue for many years. In 1999, the City Council established the Housing Trust Fund (HTF) with the goal of preserving and creating reasonably-priced housing in Austin. 40% of all City property tax revenue (excluding tax increment revenue captured in a tax increment reinvestment zone) generated from developments built on City-owned lands within the defined Desired Development Zone are transferred into the HTF for affordable housing. This funding, along with grants received from the federal government, voter-approved bonds, and the Sustainability Fund, have provided the resources to operate the City's various housing programs. However, over the past few years funding has become less stable. Recently, federal grant funding has been reduced with the long-term impacts of balancing the federal budget still looming on the horizon, and the November 2012 housing bond proposition was not approved by the voters. As response to City Council's direction to explore other funding mechanisms, city staff has recommended a modification of the HFT calculation. Instead of basing the annual transfer amount on the property tax generated from a limited number of properties, the transfer amount will now be a fixed percentage of the entire current O&M property tax revenue, capped at $10.0 million and subject to annual City Council approval of the budget. For FY 2013-14, the transfer amount is calculated at 0.25% of the total O&M tax levy, or $854,000. This is $78,000 more than using the previous calculation model. The percentage is proposed to increase annually until FY 2017 18, when the transfer will reach 2.0% of the O&M tax levy, or $9.5 million. During the next five years, the new calculation is projected to generate $17.4 million more in additional revenue for the HTF, thereby reducing long-term reliance on cyclical bond programs and lowering costs.

Last year, the City's Health and Human Services Department (HHSD) helped create a healthy community by initiating 40 tobacco-free policies throughout the city of Austin and Travis County. Institutions adopting Tobacco Free Worksite policies include the University of Texas, Huston-Tillotson University, Austin Community College and Capital Metro. The department also completed the first Critical Health Indicators Report which includes summary data for key health measures in the Austin/Travis County area and provides a snapshot of community health. Baseline data will provide actionable information and assist with strategic planning efforts to improve the health of our community.

In December 2011, Texas received approval from the federal government for a Section 1115 Medicaid Waiver. As a result, HHSD has been allowed to seek approval of several projects aimed at improving healthcare in Travis County. In exchange for meeting specified performance targets, HHSD will be able to leverage federal funds. Using a defined methodology, the City expects that participation in the program will net over two million in additional funds that can be repurposed to fund other healthcare projects. Projects under consideration include permanent supportive housing, a community diabetes project, tobacco prevention and cessation, pre-/post-natal care, adult immunizations and a Healthy Families America Model for at-risk new parents.

<u>Sustainably Manage Water, Energy and Our Environmental Resources.</u> Austin is leading the way in environmental protection and innovation. The City's goal for reducing emissions from City government operations is one of the world's most ambitious—a 100% reduction by 2020. The Sustainability Office continued to make significant progress toward this goal last year. The implementation of the City's 2020 Carbon Neutral Fleet Plan increased the percentage of alternatively-fueled and hybrid vehicles in the City's fleet from 44% in 2011 to 56% in 2012. Austin Energy's renewable energy supply has increased from 6% to 24% over the last six years. The Austin Convention Center developed a plan to help reduce the Convention Center's carbon footprint and help the City of Austin meet its goal of becoming carbon neutral by 2020.

Think Creatively and Work Together. Sustaining the culture of creativity and harnessing the collective energy of our people are essential to realizing the future envisioned by Imagine Austin. On December 1, 2012, the Office of Homeland Security and Emergency Management conducted Austin Urban Shield, a national best-practice full-scale training exercise to test the region's ability to successfully respond to and manage multiple man-made disasters. Urban Shield included three counties, multiple jurisdictions, hundreds of agencies and more than 500 volunteers. The City's Park and Recreation Department partnered with the YMCA to design and construct the North Austin Recreation Center/YMCA facility. And of course, the Imagine Austin Comprehensive plan itself engaged more than 18,000 participants to help develop the framework that we are already using as a guide for not only development, but in all aspects of the City organization.

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. 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. These policies are reviewed as part of the annual budget process and are published in the Approved Budget.

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 Generally Accepted Accounting Principles. 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.

Budgetary Control

The annual operating budget is proposed by the City Manager and approved by the City Council after public discussion. Annual updates to the Capital Improvements Program budgets follow a similar process. Primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. As demonstrated by the statements and schedules included in the City's 2012 Comprehensive Annual Financial Report, the City continues to meet its responsibility for sound financial management.

Governance

On November 6, 2012, the City Charter of the City was amended to provide (1) for the election of a City Council comprised of ten single-member districts, and one at-large position to be held by the Mayor, (2) for council terms, including that of the Mayor, to be four years in length, and (3) for a permanent move of City elections from May to November in even-numbered years. It is anticipated that terms of the Mayor and Councilmembers will be staggered such that the terms of the entire City Council (including the Mayor) would not be coterminous. Additional actions will need to be taken for the City to implement the cited revisions to the City Charter, including preparing a map of the ten single-member districts. It is anticipated that the first elections to be conducted to elect an eleven-member City Council (including the Mayor) will be conducted in November 2014.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report ("CAFR") that meets the GFOA program standards. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2012 CAFR. The City has received this award for 6 consecutive years. A Certificate of Achievement is valid for a period of one year only.

Employment by Industry in the Austin Metropolitan Area (a)

Employment Characteristics

Industrial Classification	2009	% of Total	2010	% of Total	2011	% of Total	2012	% of Total	2013 (b)	% of Total
Manufacturing	49,500	6.5%	47,300	6.2%	50,900	6.4%	51,300	6.1%	51,300	6.0%
Government	167,900	22.1%	170,500	22.2%	167,400	20.9%	167,400	19.9%	169,000	19.8%
Trade, transportation & utilities	152,500	20.1%	134,200	17.5%	142,600	17.8%	176,600	21.0%	170,800	20.0%
Services and miscellaneous	304,000	40.0%	333,200	43.5%	354,500	44.4%	357,300	42.4%	372,800	43.6%
Finance, insurance and real estate	43,900	5.8%	42,300	5.5%	45,300	5.7%	46,100	5.5%	45,100	5.3%
Natural resources, mining & construction	42,000	5.5%	39,000	5.1%	38,600	4.8%	43,500	5.1%	45,500	5.3%
Total	759,800	100.0%	766,500	100.00%	799,300	100.00%	842,200	100.00%	854,500	100.00%

(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.
(b) Through June 2013.
Source: Texas Labor Market Review, July 2013, Texas Workforce Commission.

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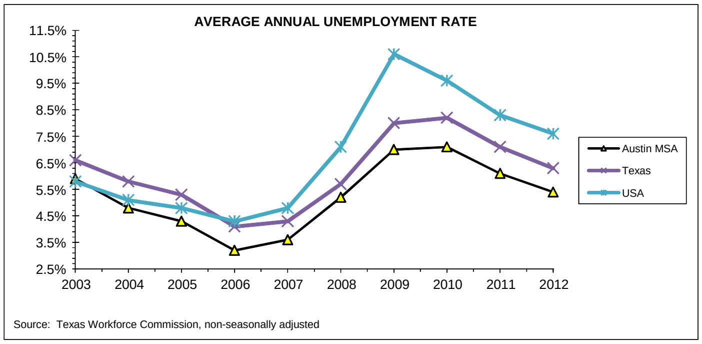
Average Annual Unemployment Rate



	Austin MSA	Texas	U.S.
2003	5.9%	6.6%	5.8%
2004	4.8%	5.8%	5.1%
2005	4.3%	5.3%	4.8%
2006	3.2%	4.1%	4.3%
2007	3.6%	4.3%	4.8%
2008	5.2%	5.7%	7.1%
2009	7.0%	8.0%	10.6%
2010	7.1%	8.2%	9.6%
2011	6.1%	7.1%	8.3%
2012	4.7%	6.0%	7.6%
2013 (June)	5.4%	6.9%	7.8%

Note: Information is updated periodically; data contained in this document is latest provided.
Source: Texas Labor Market Review, July 2013, Texas Workforce Commission.

City Sales Tax Collections (In Millions)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-09	$10.864	1-1-10	$10.215	1-1-11	$11.492	1-1-12	$12.189	1-1-13	$13.126
2-1-09	14.289	2-1-10	15.921 (1)	2-1-11	16.149	2-1-12	16.923	2-1-13	18.079
3-1-09	10.528	3-1-10	10.736	3-1-11	11.117	3-1-12	11.762	3-1-13	13.324
4-1-09	9.724	4-1-10	10.290	4-1-11	10.312	4-1-12	11.838	4-1-13	12.727
5-1-09	12.612	5-1-10	14.145	5-1-11	14.022	5-1-12	15.239	5-1-13	15.962
6-1-09	11.213	6-1-10	11.533	6-1-11	11.941	6-1-12	12.949	6-1-13	12.869
7-1-09	10.752	7-1-10	11.569	7-1-11	11.924	7-1-12	13.168	7-1-13	14.699
8-1-09	13.495	8-1-10	12.799	8-1-11	14.387	8-1-12	15.371	8-1-13	16.088
9-1-09	10.673	9-1-10	11.427	9-1-11	11.307	9-1-12	14.220	9-1-13	14.119
10-1-09	11.037	10-1-10	11.562	10-1-11	13.385 (2)	10-1-12	13.960	10-1-13	14.644
11-1-09	12.419	11-1-10	13.347	11-1-11	13.873	11-1-12	14.570		
12-1-09	11.165	12-1-10	11.216	12-1-11	12.004	12-1-12	14.373		

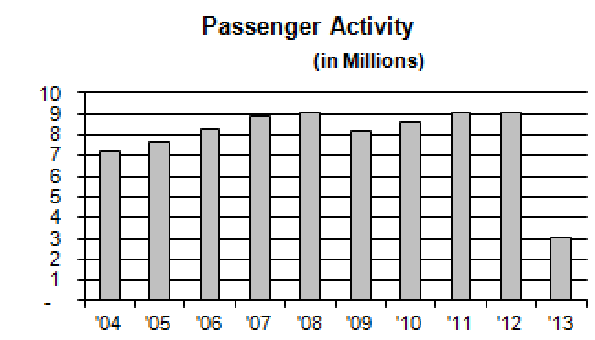
(1) Includes a $1.5 million one-time sales tax correction.
(2) Collections for 10-1-11 reflect an increase of $1,162,541 in future period and audit collection adjustments from the prior year. Sales taxes are not pledged to the payment of the Bonds.
Source: City of Austin, Budget Office.

Ten Largest Employers (As of September 30, 2012)

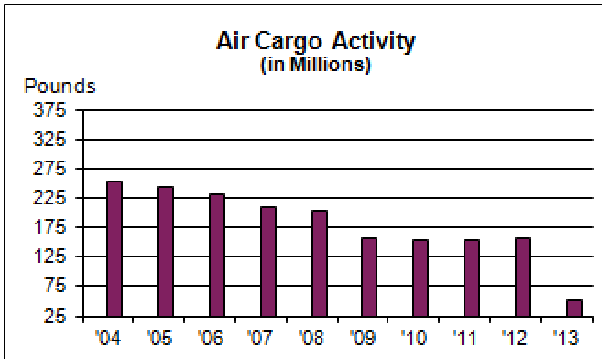
Employer	Product or Service	Employees
State Government	State Government	36,462
The University of Texas at Austin	Education	22,956
Dell Computer Corporation	Computers	14,000
Seton Healthcare Network	Healthcare	12,606
City of Austin	City Government	12,109
Federal Government	Government	11,400
Austin Independent School District	Education	11,168
HEB Grocery	Grocery/Retail	10,545
St. David's Healthcare Partnership	Healthcare	7,500
IBM Corporation	Computers	6,239

Source: 2012 Comprehensive Annual Financial Report.

Transportation



Source: COA Aviation Department. 2013 Activity through April - Calendar Year basis.



Source: COA Aviation Department. 2013 Activity through April - Calendar Year basis.

Austin-Bergstrom International Airport

The City of Austin's Austin-Bergstrom International Airport ("ABIA"), 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 42 U.S. destinations. Starting in March 2014, British Airways will fly non-stop between ABIA and Heathrow airport in London.

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 completion of the facility is expected to occur in September 2015.

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

Year	City of Austin Population (1)	Area of Incorporation (Square Miles) (1)	Population MSA (2)	Income (MSA) (thousands of dollars) (2)	Median Household Income MSA (3)	Capita Personal Income MSA (2)	Unemployment Rate (MSA) (4)
2003	674,719	276	1,385,723	$43,104,097	41,909	31,106	6.0%
2004	683,551	291	1,423,161	46,134,871	39,227	32,417	5.1%
2005	695,881	294	1,464,563	51,058,588	40,335	34,863	4.5%
2006	714,237	296	1,528,958	56,105,872	40,888	36,695	4.2%
2007	732,381	297	1,577,856	59,924,200	42,263	37,978	3.7%
2008	746,105	298	1,633,870	65,153,669	46,340	39,877	4.4%
2009	770,296	302	1,682,338	63,189,292	47,520	37,560	6.8%
2010	778,560	306	1,728,307	67,320,866	48,460	38,953	7.1%
2011	805,662	308	1,783,519	72,152,395	46,689	40,455	6.8%
2012	821,012	319	1,863,311 (6)	73,423,510 (5)	46,436	39,405 (5)	5.8%
2003-2012 Change	21.68%	15.61%	34.46%	70.34%	10.80%	26.68%	

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 2012 which will not be available until first quarter 2013.
(3) Source: Claritas, a Nielson Company.
(4) Source: Bureau of Labor Statistics; United State Department of Labor as of September 30.
(5) Data not available for 2012. Figures are estimated.
(6) Source: Claritas, a Nielson Company that historically reports less than the final numbers from the Bureau of Economic Analysis.

Connections and Permits

	Utility Connections			Building Permits		
Year	Electric	Water	Gas	Taxable	Federal, State and Municipal	Total
2003	363,377	184,659	199,042	1,189,489,091	17,084,652	1,206,573,743
2004	369,458	188,441	203,966	1,280,385,298	20,533,975	1,300,919,273
2005	372,735	192,511	207,686	1,405,871,887	40,484,950	1,446,356,837
2006	380,696	197,511	213,009	2,353,171,746	16,526,040	2,369,697,786
2007	388,626	199,671	188,101	2,529,648,915	14,272,851	2,543,921,766
2008	396,791	206,695	198,718	1,468,699,801	4,099,000	1,472,798,801
2009	407,926	209,994	208,232	834,498,480	6,988,999	841,487,479
2010	419,355	210,901	204,823	1,413,989,503	4,252,978	1,418,242,481
2011	418,968	212,754	213,365	745,909,589	2,812,350	748,721,939
2012	412,552	214,971	217,170	1,088,133,995	23,788,268	1,111,922,263

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

Housing Units

The average two-bedroom apartment in the Austin MSA was $1,163 per month, with an occupancy rate of 97.3% for the second quarter of 2013, per Capitol Market Research.

Residential Sales Data

Year	Number of Sales	Total Volume	Average Price
2003	19,793	$3,899,018,519	$197,000
2004	22,567	4,487,464,528	198,900
2005	26,905	5,660,934,916	210,400
2006	30,284	6,961,725,607	229,900
2007	28,048	6,910,962,480	246,400
2008	22,440	5,470,518,171	243,800
2009	20,747	4,924,240,373	237,300
2010	19,872	4,906,445,110	246,900
2011	21,208	5,336,642,011	251,600
2012	25,518	6,786,966,004	266,000
2013 (June)	14,654	4,202,196,528	286,761

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

Year	Occupancy Rate
2003	76.7%
2004	80.8%
2005	84.2%
2006	87.5%
2007	85.6%
2008	80.6%
2009	77.7%
2010	80.0%
2011	82.7%
2012	86.8%
2013 (June)	87.6%

Source: Oxford Commercial.

Education

The Austin Independent School District had an enrollment of 86,732 for the 2012/2013 school year. The District includes 110 campus buildings.

School Year	Average Daily Membership	Average Daily Attendance
2003/04	77,313	73,085
2004/05	77,937	73,572
2005/06	79,500	74,860
2006/07	82,063	74,212
2007/08	82,739	74,622
2008/09	83,730	75,606
2009/10	84,996	76,658
2010/11	85,273	80,198
2011/12	86,724	79,087
2012/13	86,732	79,460

Source: Austin Independent School District.

The following institutions of higher education are located in the City: The University of Texas, St. Edward's University, Huston Tillotson 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 52,261 for the fall semester of 2012 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 Austin economy is significant. There are more than 257 hotels available within the Austin Metropolitan Area and year-to-date occupancy through June 2013 is 73%.

Existing City convention and meeting facilities include a Convention Center, which is supported by hotel/motel occupancy tax collections and revenues of the facility and the new Lester E. Palmer Events Center with 70,000 square feet of exhibit space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center, the Austin Music Hall, and The Long Center for the Performing Arts. The Texas Exposition and Heritage Center offers 6,000 seat arena seating and 20,000 square feet of banquet/exhibit hall facilities. The Austin Music Hall has a concert seating capacity of 3,000 and 32,000 square feet of exhibit space. The Long Center for the Performing Arts, a $77 million venue, opened in March 2008. The Center contains two theaters: the 2,300-seat Michael and Susan Dell Hall and the flexible 240-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 60-100 concerts a year. Additionally, the University of Texas Darrel K. Royal-Texas Memorial Stadium was expanded to a seating capacity of 100,119.

The Convention Center

The Austin Convention Center is located at 500 East Caesar Chavez Street on six city blocks on the east side of the City's central business district. The construction of the Austin Convention Center commenced in late 1989 and the Convention Center opened for business in July 1992. In June 1992 the City acquired a 10-story, 1,100 space parking garage as a part of the Austin Convention Center located at 201 East 2nd Street, approximately two blocks from the Austin Convention Center. An expansion of the Convention Center was completed in June of 2002 that approximately doubled the size of the facility. Five exhibit halls, two ballrooms, fifty-four meeting rooms and show offices are contained in the Austin Convention Center's 881,400 square feet of enclosed space. In 2005, the Convention Center Department constructed a 685 space parking garage located at 601 East 5th Street. The City has entered into a management contract with Levy Premium Foodservice, L.L.C., a Texas limited liability company authorized to do business in the State of Texas, to provide catering and beverage services at the Austin Convention Center that expires September 30, 2022.

In addition, the City owns and operates the new Palmer Events Center and parking garage as a part of the City's Convention Center Department. The Palmer Events Center and parking garage are located at 900 Barton Springs Road next to Lady Bird Lake (formerly Town Lake) and are utilized for arts and craft shows, concerts, trade shows and small conventions. The Palmer Events Center has approximately 70,000 square feet of exhibit space and five meeting rooms. The parking garage has 1,200 parking spaces. On January 5, 2004, a new Hilton Hotel adjacent to the Convention Center opened for business. This hotel is owned by Austin Convention Enterprises, Inc., a non-profit public facilities corporation created by the City to act on its behalf in connection with the development of such hotel.

The Convention Center is operated by the City as a City Department and a separate enterprise fund of the City. The Convention Center Department was created by the City Council in 1989 and initially included the Austin Convention and Visitor's Bureau, which is now a separate non-profit corporation. In January 2008, the City of Austin named Mark Tester as the new director for the Austin Convention Center Department. Mr. Tester's previous position was senior director of convention sales at Chicago's McCormick Place, the largest convention center in the Western hemisphere. Mr. Tester has 20 years' experience in the meeting business industry. He was with the Chicago Convention and Tourism Bureau for ten years, holding several high-level positions, including vice president of convention sales and senior director of new business development.

As of November 16, 2013, the Convention Center has $28,890,000 City of Austin, Texas, Hotel Occupancy Tax Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds") and $103,365,000 City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (the "Series 2008 Bonds") associated with construction and improvements to the Convention Center outstanding. The Series 2004 Bonds will be refunded by the Bonds.

The Waller Creek Flood Control Project

Project Description. The Waller Creek watershed is the most developed of the tributary watersheds of the Colorado River within the City. The lower Waller Creek traverses the downtown area. The 100-year floodplain of the lower Waller Creek is up to 800 feet wide and has restricted development. The City has long been interested in improving flood control and providing water quality enhancements to the lower Waller Creek watershed.

The City has conducted several flood management and water quality enhancement studies of the Waller Creek watershed. The studies indicated a stormwater bypass tunnel with surface-level structures and a recirculation system would meet the City's flood protection, environmental and cost objectives. More specifically, project objectives include flood-control, water quality enhancement, ease of operation and maintenance, and cost-effective and aesthetically pleasing above ground structures. A goal of the project was to provide for no out-of-bank flooding after tunnel construction. On May 2, 1998 Austin voters approved the project and its financing in conjunction with the expansion of the City's Convention Center through the imposition of an increase in the hotel occupancy tax rates to support bond issuance debt. In June 1999, $25,000,000 City of Austin, Texas, Convention Center/Waller Creek Venue Project Bonds, Series 1999A (the "Series 1999A Bonds") were sold for the project. In March 2012, $20,185,000 City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") were issued to refund the outstanding Series 1999A Bonds. As of November 16, 2013, $19,365,000 Series 2012 Bonds are outstanding.

In May 1999, the City contracted with the joint venture of Brown & Root/Espey Padden to perform the preliminary engineering for the tunnel project. In January 2000, the joint venture provided estimated costs for the three tunnel versions of the proposed tunnel. All of the cost estimates substantially exceeded the $25 million in bonds that voters had authorized for the project. Two of the versions simply differed in size – one was a 15.5 foot diameter tunnel that would capture most of the flood water in Waller Creek and removed the 100-year floodplain from 98% of the property along the creek corridor. The other was a 22 foot diameter tunnel that would capture sufficient flood water to remove the 100-year floodplain from all the property along the creek corridor. Neither of these two options included capture of flood water draining into the creek from 12th Street to Lady Bird Lake, i.e., the water that would come in from the storm drain systems along the side streets perpendicular to the creek. The third version was a 22 foot diameter tunnel with intervening storm drain features to capture not only the water that would flow downstream to Waterloo Park, but also the water flowing into the creek from the roads between 12th Street and Lady Bird Lake. Only this version of the tunnel would allow the creek to maintain a maximum rise in the creek of approximately 4 feet, even in a 100-year flood event. This version would also support more development along the creek corridor.

In 2007, the City approved an ordinance creating Tax Increment Reinvestment Zone No. 17 (the "TIRZ")to provide additional funding to construct this third version of the tunnel project. Over the 20-year life of the TIRZ, the City will dedicate 100% of its tax increment and Travis County, a partner in the TIRZ, would dedicate 50% of its tax increment. In 2008, the City approved the final project and financing plan for the TIRZ, which projected the cost of the tunnel project to be $136.8 million in year 2010 dollars based on a year 2006 project estimate of $127.55. In 2011, with most of the project design complete, the City updated the project and financing plan to reflect a year 2010 project cost of $140.3 million. Because the tunnel project will be bid and constructed over a four-year period, the 2010 estimate has been further inflated to account for staggered construction starts and anticipated cost of materials during the construction period. The financing plan includes a construction cost (at bid) of $146.5 million.

The project will consist of 5,600 feet of bypass tunnel ranging from 20.5 to 26.5 feet in diameter, a diversion structure, inlet and outlet structures and a recirculating pump system. Stormwater will be intercepted at Waterloo Park above 12th Street with discharge into Lady Bird Lake. The tunnel alignment will generally follow the path of Waller Creek and Sabine Street. At the completion of the project, the 100-year stormwater flow is to be contained within the existing creek channel downstream of the inlet structure with no more than a 4 to 5 foot rise in the creek during a 100-year flood event. Approximately 42 commercial and residential structures and 12 roadways currently subject to flooding will be afforded flood protection at the completion of the project. Downtown Austin land development opportunities will be available with the completion of the project by the elimination of overbank flooding, which currently is 300 to 800-feet wide. The project is phased with the main tunnel segment and inlet structure contracts currently in construction and the tunnel's outlet structure advertising for bids. With 75% of the capital construction value already bid, it is anticipated that the project costs will be within the financing plan budget.

The completed project will be operated and maintained by the Watershed Protection Department (the "Department") of the City. The Department is responsible for flood and erosion control and water quality enhancement in the City's 45 watersheds. The Department's operating units include Watershed Engineering and Field Operations, Environmental Resource Management, and Environmental Review and Inspection. The Watershed Engineering and Field Operations Division is responsible for the Department's flood and erosion control missions and provides for engineering and construction management of new drainage facilities and the maintenance and operation of the drainage infrastructure. The Watershed Engineering and Field Operations Division will operate and maintain the Waller Creek Flood Control improvements using its own staff, the staff of other City Departments and contract assistance, as necessary.

The project operation and maintenance will include periodic inspection, cleaning of the inlet and outlet grates, recirculation pump system maintenance, and periodic removal of sediment from the tunnel. After a major flood event, repair of the tunnel inlet grate or other features may be necessary.

Proceeds received by the City from its issuance of certificates of obligation in October 2011, October 2012 and October 2013 will be used in part to finance costs of the project.

Project Engineer. The Kellogg Brown & Root Services, Inc. (KBR)/Espey Consultants, Inc. Joint Venture will provide planning, design, and construction management for the project. The Joint Venture combines both international expertise and local knowledge to provide the necessary engineering services.

KBR is one of the largest engineering and construction firms in the country. KBR brings significant facilities, tunneling and construction management experience internationally.

Espey Consultants, Inc. (RPS-Espey in October 2011) is a local civil engineering firm specializing in water resources engineering and urban stormwater management including drainage, flood control, and water quality.

The Joint Venture manages a team of more than thirty first and second tier subconsultants with key members including Jenny Engineering Corporation, Brown & Gay Engineers, Inc., CAS Consulting & Services, Inc., Graeber, Simmons & Cowan, Inc., Fugro Consultants, Inc., Encotech Engineering Consultants, Inc., Harutunian Engineering, Inc., MWM Design Group, and Alden Research Laboratory of Holden, Massachusetts.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that 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 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 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 29, 2013

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, 2012.

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. 59 and No. 64.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The assets of the City exceeded its liabilities at the end of the fiscal year 2012, resulting in $4.5 billion of net assets. Net assets associated with governmental activities are approximately $1.4 billion, or 32% of the total net assets of the City. Net assets associated with business-type activities are approximately $3.1 billion, or 68% of the total net assets of the City. The largest portion of net assets consists of investment in capital assets, net of related debt, which is $3.7 billion, or 83% of total net assets.

Unrestricted net assets, which may be used to meet the City's future obligations, are $58.6 million, or 1.3% of the City's total net assets. Unrestricted net assets for governmental activities are a deficit of $334.3 million, while unrestricted net assets for business-type activities are approximately $392.9 million, or 12.9% of total business-type net assets. The deficit in governmental unrestricted net assets is largely due to the recognition of $301.1 million in other post employment benefit liabilities for governmental activities.

During fiscal year 2012, total net assets for the City of Austin decreased $61.3 million or 1.4%. Of this amount, governmental activities decreased $75.3 million, or 5.1% from the previous year and business-type activities increased $14 million, or 0.5% from the previous year.

Total revenues for the City decreased $17.9 million; revenues for governmental activities increased $28.1 million; revenues for business-type activities decreased $46 million. Total expenses for the City increased $108.8 million; expenses for governmental activities increased $42 million; expenses for business-type activities increased $66.9 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 Assets*** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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.

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), and the Mueller Local Government Corporation (MLGC). The operations of AHFC, AIDC, and MLGC 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.

b -- Fund financial statements

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

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

b -- Fund financial statements, continued

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

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 four 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 post employment 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 assets

The following table reflects a summary statement of net assets compared to prior year (in thousands):

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	$ 610,999	573,550	1,154,653	1,105,313	1,765,652	1,678,863
Capital assets	2,484,175	2,423,967	6,942,717	6,748,854	9,426,892	9,172,821
Other noncurrent assets	16,511	15,022	907,357	941,962	923,868	956,984
Total assets	3,111,685	3,012,539	9,004,727	8,796,129	12,116,412	11,808,668
Deferred outflows of resources	--	--	178,918	186,369	178,918	186,369
Current liabilities	273,024	246,696	537,372	519,251	810,396	765,947
Noncurrent liabilities	1,423,424	1,275,299	5,585,886	5,418,451	7,009,310	6,693,750
Total liabilities	1,696,448	1,521,995	6,123,258	5,937,702	7,819,706	7,459,697
Deferred inflows of resources	--	--	8,645	7,076	8,645	7,076
Net assets:						
Invested in capital assets, net of related debt	1,666,653	1,562,046	2,104,623	2,048,964	3,771,276	3,611,010
Restricted	82,916	92,650	554,215	550,516	637,131	643,166
Unrestricted (deficit)	(334,332)	(164,152)	392,904	438,240	58,572	274,088
Total net assets	$ 1,415,237	1,490,544	3,051,742	3,037,720	4,466,979	4,528,264

In the current fiscal year, total assets increased $307.7 million and deferred outflows of the City decreased by $7.5 million. Total liabilities increased $360 million and deferred inflows increased by $1.6 million. Governmental-type total assets increased by $99.1 million and business-type increased by $208.6 million, while governmental-type liabilities increased by $174.5 million and business-type increased by $185.6 million.

Significant factors in the increase of governmental total assets include an increase in cash and investments of $37.33 million and an increase in capital assets of $60.2 million. Factors in the increase of governmental-type liabilities include increases in the pension obligation payable of $6.2 million, other post employment benefits of $67.1 million, and bonds payable of $79.7 million.

Significant factors in the increase of business-type total assets include an increase in capital assets of $193.9 million. Significant factors in the increase in total liabilities include an increase in other post employment benefits payable of $42.8 million and an increase of bonds payable of $250 million. Other significant factors include a decrease in commercial paper notes payable of $54.8 million, a decrease in revenue notes payable of $28 million, a decrease in accrued interest payable of $18 million, and a decrease in capital appreciation bond interest payable of $15 million.

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $4.5 billion at the end of the current fiscal year. However, the largest portion of the City's net assets are invested in capital assets, net of related debt (e.g. land, building, and equipment), which are $3.6 billion, or 84% of the total amount of the City's net assets. 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, $637.1 million of the City's net assets, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance, $58.6 million of unrestricted net assets, may be used to meet the government's future obligations. Unrestricted net assets decreased $215.5 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 assets for the government as a whole, as well as for business-type activities. However, governmental activities report a deficit of $334.3 million for unrestricted net assets.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in net assets

Total net assets of the City decreased by $61.3 million in the current fiscal year. Governmental net assets decreased by $75.3 million. The decrease is attributable to expenses exceeding revenues by $176.8 million before transfers from other funds of $101.5 million. Business-type net assets increased by $14 million due to revenues exceeding expenses by $115.5 million, before transfers to other funds of $101.5 million.

Changes in Net Assets
September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	$ 113,747	101,735	1,960,312	2,019,742	2,074,059	2,121,477
Operating grants and contributions	57,818	66,348	10,950	--	68,768	66,348
Capital grants and contributions	35,880	51,182	50,064	47,850	85,944	99,032
General revenues:						
Property tax	381,582	355,185	--	--	381,582	355,185
Sales tax	164,193	151,125	--	--	164,193	151,125
Franchise fees and gross receipts tax	99,011	95,029	--	--	99,011	95,029
Interest and other	15,884	19,364	11,529	11,274	27,413	30,638
Total revenues	868,115	839,968	2,032,855	2,078,866	2,900,970	2,918,834
Program expenses:						
General government	124,735	99,780	--	--	124,735	99,780
Public safety	536,132	485,611	--	--	536,132	485,611
Transportation, planning, and sustainability	64,247	74,835	--	--	64,247	74,835
Public health	75,799	61,865	--	--	75,799	61,865
Public recreation and culture	104,026	106,488	--	--	104,026	106,488
Urban growth management	93,593	129,258	--	--	93,593	129,258
Interest on debt	46,417	45,154	--	--	46,417	45,154
Electric	--	--	1,133,951	1,136,850	1,133,951	1,136,850
Water	--	--	223,228	178,712	223,228	178,712
Wastewater	--	--	194,650	170,514	194,650	170,514
Airport	--	--	101,991	102,774	101,991	102,774
Convention	--	--	56,142	54,231	56,142	54,231
Environmental and health services	--	--	87,450	91,151	87,450	91,151
Public recreation	--	--	5,624	5,209	5,624	5,209
Urban growth management	--	--	114,270	110,996	114,270	110,996
Total expenses	1,044,949	1,002,991	1,917,306	1,850,437	2,962,255	2,853,428
Excess (deficiency) before transfers	(176,834)	(163,023)	115,549	228,429	(61,285)	65,406
Transfers	101,527	97,100	(101,527)	(97,100)	--	--
Increase (decrease) in net assets	(75,307)	(65,923)	14,022	131,329	(61,285)	65,406
Beginning net assets, as previously reported	1,490,544	1,558,548	3,037,720	2,904,310	4,528,264	4,462,858
Restatement adjustment	--	(2,081)	--	2,081	--	--
Beginning net assets, as restated	1,490,544	1,556,467	3,037,720	2,906,391	4,528,264	4,462,858
Ending net assets	$ 1,415,237	1,490,544	3,051,742	3,037,720	4,466,979	4,528,264

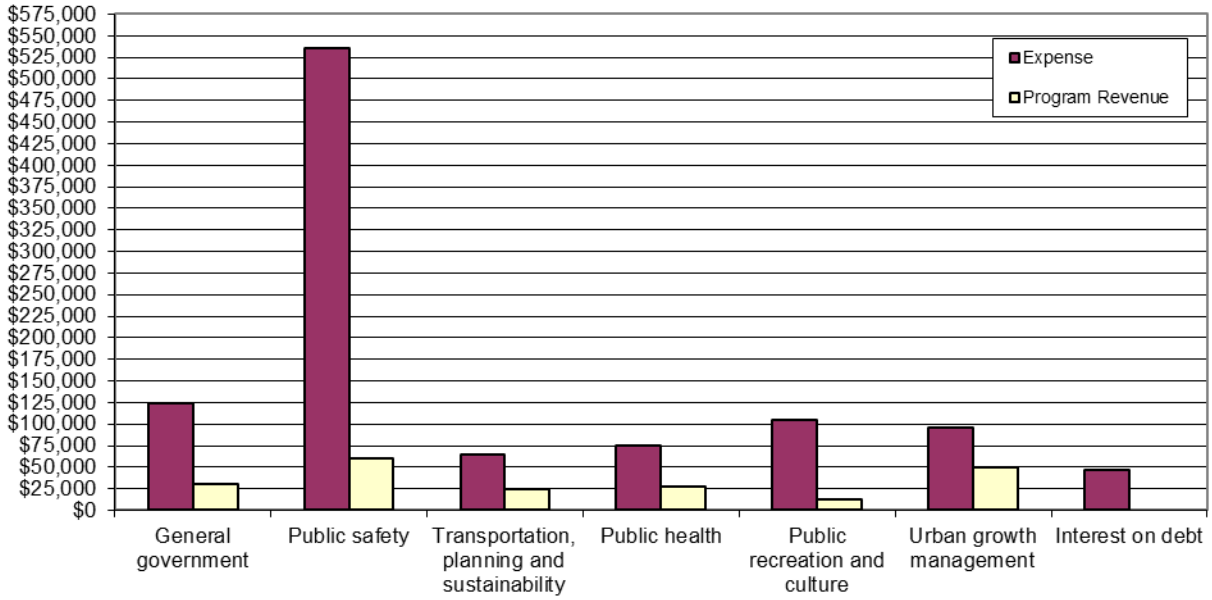
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c -- Program revenues and expenses -- governmental activities
Governmental activities decreased the City's net assets by $75.3 million in fiscal year 2012, a 5.1% decrease of governmental net assets from the previous year. Key factors for the change from fiscal year 2011 to 2012 are as follows:

- The City's property tax revenue increased by $26.4 million from the previous year as a result of an increase in assessed property values and an increase in the City's tax rate from 45.71 cents to 48.11 per $100 valuation.
- Sales tax collections for fiscal year 2012 were $13.1 million more than fiscal year 2011.
- General government expenses increased $25 million primarily due to increases in other post employment benefits expenses and increases to payments to internal service funds for services provided. Public safety expenses increased $50.5 million primarily due to increase in salaries and urban growth management expenses decreased $35.7 million primarily due to reduced expenditures in the affordable housing program.

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.

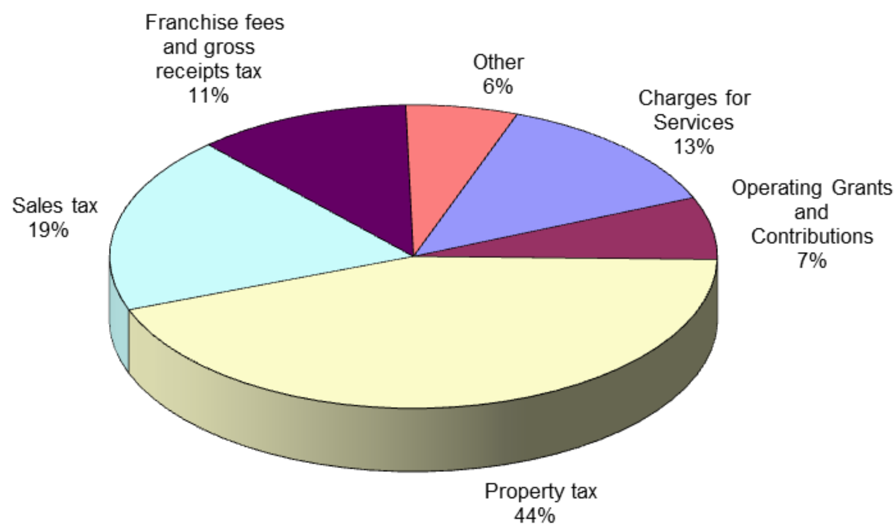
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



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

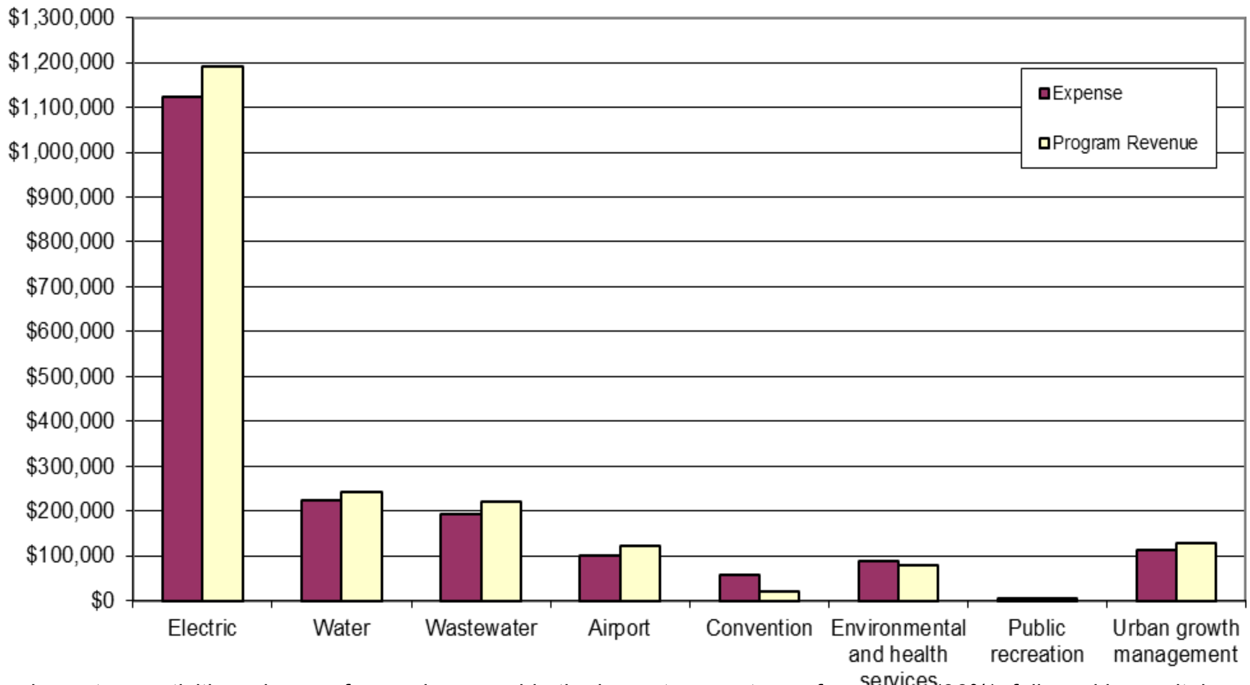
Business-type activities increase the City's net assets by approximately $14 million, accounting for a 0.31% increase in the City's total net assets. Key factors include:

- Austin Energy net assets decreased approximately $ 27.9 million. Revenues decreased by approximately 4.6% in fiscal year 2012. This was largely due to lower electric sales (base) due to milder temperatures and lower power supply revenue. Expenses decreased by 0.3% primarily due to lower power supply costs.
- Austin Water Utility net assets increased approximately $14.7 million. Revenues decreased 1.7% due in part to conservation efforts, watering restrictions, and changes in rainfall. Expenses increased by 19.66% due largely to increases in energy, street cut repair, and personnel costs.
- Airport net assets increased approximately $16.1 million. Revenues increased 10.3% due to an increase in passenger traffic. Expenses remained relatively constant.
- Convention net assets increased approximately $4.1 million. Revenues and transfers from the Hotel Occupancy Tax Fund increased 7% due in part to an increase in events. Expenses increased 3.5% due to increases in operations and maintenance costs.
- Environmental activities are comprised of the Austin Resource Recovery nonmajor enterprise fund. Net assets decreased by approximately $8.8 million. This decrease is primarily attributed to an increase in the accrual of environmental remediation costs during the year.
- Urban growth management activities are comprised of nonmajor enterprise funds that include the Drainage Fund and Transportation Fund. Net assets increased by approximately $16.2 million. Drainage revenues decreased 2.6% due primarily to lower capital grant revenue. Drainage expenses decreased 4.1% due primarily to fewer assets retirements than prior year. Transportation Fund revenues increased approximately 12.6% primarily due to increased license and permit fees and increased parking meter and pay station revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

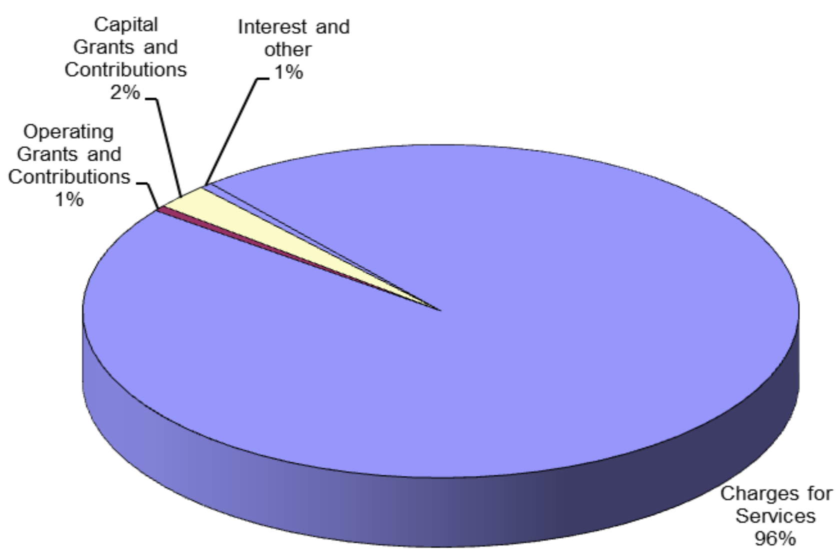
As shown in the following chart, the electric utility, with expenses of $1.13 billion is the City's largest business-type activity, followed by water with $223 million, wastewater with $195 million, urban growth management with $114 million, airport with $102 million, environmental and health services with $87 million, convention with $56 million, and public recreation with $6 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 (96%), followed by capital grants and contributions (2%), interest and other revenues (1%), and operating grants and contributions (1%).

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 $370.2 million, an increase of $0.9 million from the previous year. Approximately $1.9 million is nonspendable, $174.8 million is restricted, $33.1 million is committed, $85.4 million is assigned, and $75 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, committed fund balance of $5.2 million, assigned fund balance of $11 million, and unassigned fund balance of $113 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 16.2% of total General Fund expenditures of $696.7 million, and total fund balance represents 18.7% of expenditures. The City's financial policies provide that surplus fund balance be indentified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance indentified for budget stabilization was $64.3 million. The balance indentified 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 indentified amount, with the other two-thirds indentified for budget stabilization in future years.

The fund balance of the General Fund decreased $4.1 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $26.5 million due to an increase in assessed property values and the City's property tax rate increased from 45.71 cents to 48.11 cents per $100 valuation.
- Sales tax revenues increased $13.1 million, and fines, forfeitures, and penalties decreased $2.3 million.

General Fund expenditures increased $42.3 million, due primarily to an increase in public safety expenditures of $29.5 million, an increase in general government of $5 million, and an increase in urban growth management of $4.2 million. The increase in public safety, public recreation and culture, and urban growth management expenditures is primarily due to increases in salaries and contractual expenditures.

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net assets of the City's enterprise funds increased by $8.4 million before consolidation of the internal service funds activities.

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

OTHER INFORMATION

a -- General Fund budgetary highlights

The original revenue budget of the General Fund was amended during the fiscal year 2012 as a result of changes to development fees and charges. The original expenditure budget of the General Fund was amended during fiscal year 2012 to increase social services spending ($1.1 million) and increase planning and development review services ($1.1 million).

During the year, revenues were $15.6 million more than budgeted. Sales tax collections were $11.5 million more than budgeted.

Actual budget-basis expenditures were $4.6 million less than budgeted. General city responsibilities exceeded budget by $0.3 million, public health by $27 thousand, fire department by $1.4 million, emergency medical service by $39 thousand, and public library by $0.2 million; while all other departments were under budget. The total budget-basis fund balance at year-end was $121.3 million.

OTHER INFORMATION, continued

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2012, total $9.4 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, electric plant, non-electric plant, infrastructure, construction in progress, nuclear fuel, plant held for future use, and water rights. The total increase in the City's capital assets for the current fiscal year was $253 million (2.8%), with an increase of 2.5% for governmental activities and an increase of 2.9% 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
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	$ 345	344	502	487	847	831
Other assets not depreciated	22	21	2	2	24	23
Building and improvements	508	479	1,109	1,076	1,617	1,555
Plant and Equipment	87	80	2,235	2,096	2,322	2,176
Vehicles	37	39	65	59	102	98
Electric plant	--	--	2,198	2,158	2,198	2,158
Nonelectric plant	--	--	132	124	132	124
Infrastructure	1,322	1,273	--	--	1,322	1,273
Construction in progress	163	188	548	591	711	779
Nuclear fuel, net of amortization	--	--	41	42	41	42
Plant held for future use	--	--	23	26	23	26
Water rights, net of amortization	--	--	87	88	87	88
Total net capital assets	$ 2,484	2,424	6,942	6,749	9,426	9,173

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

- Governmental capital assets increased $60 million primarily due to additions of new facilities and improvements to existing facilities. The African American Cultural and Heritage Facility, Mueller EMS Station 333, Zach Theatre, Rio Grande Bicycle Boulevard, Roy C. Guerrero Colorado River Park Development, Waller Creek Boathouse, Colony Park Recreation Center, and Deep Eddy Pool improvements were completed. Significant additions and improvements were also made to facilities, including streetscape, utility, and pedestrian, drainage systems, including Shoal Creek and Waller Creek, and communication equipment.
- Business-type activities purchased or completed construction on capital assets of $193 million. The increase was largely due to plant additions and improvements and land acquisition for Austin Energy, Austin Water Utility, the Airport Fund, and the Drainage Fund. Austin Energy implemented a new customer billing system and improved other electric plant assets. Austin Water completed projects related to providing water and wastewater services to the Circuit of the Americas motor racing facility, various pump station improvements, provision of services to annexed areas, and the Downtown Wastewater Tunnel. Additionally, upgrades were made to the biosolids management plant. The Airport Fund expanded the Remain Overnight Apron for aircraft and renovated the Ground Transportation Staging Area. The Drainage Fund made improvements to mitigate roadway flooding, repair erosion on City right-of-way, and stabilize Williamson Creek.

OTHER INFORMATION, continued

c -- Debt administration
At the end of the current fiscal year, the City reported $5.4 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	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
General obligation bonds and other tax supported debt, net	$ 1,018	938	132	132	1,150	1,070
Commercial paper notes, net	--	--	305	360	305	360
Revenue notes	--	--	--	28	--	28
Revenue bonds, net	--	--	3,945	3,694	3,945	3,694
Capital lease obligations	--	--	1	1	1	1
Total	$ 1,018	938	4,383	4,215	5,401	5,153

During fiscal year 2012, the City's total outstanding debt increased by $248 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 $80 million. The resulting net increase is a combination of the issuance of $145 million in new debt to be used primarily for street improvements, streets and signals, drainage improvements, and the Waller creek tunnel project offset by the refinancing of existing debt and debt payments during the year.

- Outstanding debt for business-type functions increased by $168 million. The City issued $574.4 million of Austin Water Utility separate lien revenue refunding bonds to refund commercial paper, and $20 million in Convention Center subordinate lien revenue refunding bonds to refund prior lien debt. The City also retired $28 million of Airport revenue notes.

During the year, utility revenue bonds received favorable bond rating upgrades from Moody's Investors Services, Inc. Convention Center revenue bonds received favorable bond rating upgrades from Standard & Poor's. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations, and the ratings of the provider of the tax exempt and taxable commercial paper notes were revised by Standard & Poor's from A-1+ to A-1, and by Fitch, Inc. from F1+ to F1. In addition, the rating of the provider of the tax exempt commercial paper notes was revised by Moody's Investors Services, Inc. from P-1 to P-2. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2012 and 2011 are as follows:

Debt	Moody's Investors Services, Inc.		Standard & Poor's		Fitch, Inc.	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	P-2	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	A1	AA	AA	AA-	AA-
Utility revenue bonds - subordinate lien	Aa2	A1	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	A1	A1	A+	A+	AA-	AA-
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	NUR(1)	NUR(1)	A	A	NUR(1)	NUR(1)
Airport variable rate notes	NUR(1)	NUR(1)	NUR(1)	NUR(1)	NUR(1)	NUR(1)
Convention Center revenue bonds	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

As the national economy struggles to emerge from the recession, the local economy continues to gain strength. Austin saw a 4.4 percent sales tax revenue increase in 2011 and a 8.6 percent increase in 2012. Austin's diverse economic base and national reputation as a great place to work and live continues to attract talented individuals and new employment opportunities. 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 green energy, new technology firms, and jobs to Austin.

The City's 2013 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, investment 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 5.73% in 2012 for fiscal year 2013. The property tax rate for fiscal year 2013 is 50.29 cents per $100 valuation, up from 48.11 cents per $100 valuation in 2012. The tax rate consists of 38.21 cents for the General Fund and 12.08 cents for debt service.

Each 1 cent of the 2012 (Fiscal Year 2013) property tax rate is equivalent to $8,376,270 of tax levy, as compared to $7,921,978 in the previous year. In June 2012, the City Council approved a new rate structure for Austin Energy that goes into effect October 2012. This new rate structure will average to a 7% rate increase overall for Austin Energy customers. In Fiscal Year 2013, Austin Water Utility will implement a 5% system average water rate increase including an updated rate structure which will take effect in February 2013.

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.ci.austin.tx.us/financeonline/finance/index.cfm.

BASIC FINANCIAL STATEMENTS

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)
ASSETS			
Current assets:			
Cash	$ 71	66	137
Pooled investments and cash	337,756	223,502	561,258
Pooled investments and cash - restricted	127,221	232,488	359,709
Total pooled investments and cash	464,977	455,990	920,967
Investments, at fair value - restricted	15,673	212,796	228,469
Cash held by trustee - restricted	6,636	1,911	8,547
Working capital advances	--	4,231	4,231
Property taxes receivable, net of allowance of $4,887	10,305	--	10,305
Accounts receivable, net of allowance of $179,991	91,606	259,618	351,224
Receivables from other governments	16,072	--	16,072
Notes receivable, net of allowance of $29,839	17,829	--	17,829
Internal balances	(22,257)	22,257	--
Inventories, at cost	2,273	86,966	89,239
Real property held for resale	6,520	--	6,520
Other receivables - restricted	--	3,891	3,891
Deferred costs and expenses, net of amortization	--	54,964	54,964
Prepaid items	263	6,715	6,978
Other assets	1,031	45,248	46,279
Total current assets	610,999	1,154,653	1,765,652
Noncurrent assets:			
Cash - restricted	--	5,250	5,250
Pooled investments and cash - restricted	--	122,739	122,739
Investments, at fair value - restricted	--	199,723	199,723
Investments held by trustee - restricted	--	204,643	204,643
Interest receivable - restricted	--	1,086	1,086
Depreciable capital assets, net of accumulated depreciation	1,953,324	5,867,402	7,820,726
Nondepreciable capital assets	530,851	1,075,315	1,606,166
Derivative instruments - energy risk management	--	8,654	8,654
Net pension asset	7,184	--	7,184
Other long-term assets	--	52	52
Deferred costs and expenses, net of amortization	9,327	365,210	374,537
Total noncurrent assets	2,500,686	7,850,074	10,350,760
Total assets	3,111,685	9,004,727	12,116,412
Deferred outflows of resources	$ --	178,918	178,918

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

(Continued)

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

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)
LIABILITIES			
Current liabilities:			
Accounts payable	$ 43,864	67,992	111,856
Accounts and retainage payable from restricted assets	10,227	46,108	56,335
Accrued payroll	15,458	8,043	23,501
Accrued compensated absences	50,754	22,829	73,583
Claims payable	16,546	--	16,546
Accrued interest payable from restricted assets	--	76,796	76,796
Interest payable on capital appreciation bonds and other debt	3,842	1,590	5,432
Bonds payable	47,432	14,242	61,674
Bonds payable from restricted assets	15,873	210,148	226,021
Capital lease obligations payable	159	42	201
Customer and escrow deposits payable from restricted assets	49,955	43,505	93,460
Accrued landfill closure and postclosure costs	--	1,119	1,119
Deferred credits and other current liabilities	18,914	38,594	57,508
Other current liabilities payable from restricted assets	--	6,364	6,364
Total current liabilities	273,024	537,372	810,396
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	73,595	429	74,024
Claims payable	17,673	--	17,673
Capital appreciation bond interest payable	--	101,929	101,929
Commercial paper notes payable, net of discount	--	305,026	305,026
Bonds payable, net of discount and inclusive of premium	954,502	3,852,425	4,806,927
Pension obligation payable	68,654	67,601	136,255
Other post employment benefits payable	301,110	191,941	493,051
Capital lease obligations payable	--	1,176	1,176
Accrued landfill closure and postclosure costs	--	10,914	10,914
Decommissioning liability payable from restricted assets	--	171,608	171,608
Derivative instruments - energy risk management	--	79,777	79,777
Derivative instruments - interest rate swaps	--	99,210	99,210
Deferred credits and other liabilities	7,890	699,730	707,620
Other liabilities payable from restricted assets	--	4,120	4,120
Total noncurrent liabilities	1,423,424	5,585,886	7,009,310
Total liabilities	1,696,448	6,123,258	7,819,706
Deferred inflows of resources	--	8,645	8,645
NET ASSETS			
Invested in capital assets, net of related debt	1,666,653	2,104,623	3,771,276
Restricted for:			
Debt service	12,031	131,698	143,729
Strategic reserve	--	116,483	116,483
Capital projects	14,246	199,114	213,360
Renewal and replacement	--	10,895	10,895
Bond reserve	--	46,602	46,602
Passenger facility charges	--	35,663	35,663
Operating reserve	--	13,760	13,760
Perpetual care:			
Expendable	381	--	381
Nonexpendable	1,040	--	1,040
Other purposes	55,218	--	55,218
Unrestricted (deficit)	(334,332)	392,904	58,572
Total net assets	$ 1,415,237	3,051,742	4,466,979

(†) 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, 2012
(In thousands)

City of Austin, Texas
Exhibit A-2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities							
General government	$ 124,735	17,285	5,685	8,209	(93,556)	--	(93,556)
Public safety	536,132	51,009	8,988	--	(476,135)	--	(476,135)
Transportation, planning, and sustainability	64,247	4,158	929	19,855	(39,305)	--	(39,305)
Public health	75,799	5,106	23,016	--	(47,677)	--	(47,677)
Public recreation and culture	104,026	7,576	984	4,585	(90,881)	--	(90,881)
Urban growth management	93,593	28,613	18,216	3,231	(43,533)	--	(43,533)
Interest on debt	46,417	--	--	--	(46,417)	--	(46,417)
Total governmental activities	1,044,949	113,747	57,818	35,880	(837,504)	--	(837,504)
Business-type activities							
Electric	1,133,951	1,179,872	9,490	12,360	--	67,771	67,771
Water	223,228	229,454	--	11,751	--	17,977	17,977
Wastewater	194,650	213,253	--	8,308	--	26,911	26,911
Airport	101,991	114,318	694	9,030	--	22,051	22,051
Convention	56,142	19,200	--	34	--	(36,908)	(36,908)
Environmental and health services	87,450	75,499	--	3,195	--	(8,756)	(8,756)
Public recreation	5,624	5,239	--	165	--	(220)	(220)
Urban growth management	114,270	123,477	766	5,221	--	15,194	15,194
Total business-type activities	1,917,306	1,960,312	10,950	50,064	--	104,020	104,020
Total	$ 2,962,255	2,074,059	68,768	85,944	(837,504)	104,020	(733,484)
General revenues:							
Property tax					381,582	--	381,582
Sales tax					164,193	--	164,193
Franchise fees and gross receipts tax					99,011	--	99,011
Interest and other					15,884	11,529	27,413
Transfers-internal activities					101,527	(101,527)	--
Total general revenues and transfers					762,197	(89,998)	672,199
Change in net assets					(75,307)	14,022	(61,285)
Beginning net assets					1,490,544	3,037,720	4,528,264
Ending net assets					$ 1,415,237	3,051,742	4,466,979

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

Governmental Funds
Balance Sheet
September 30, 2012
(In thousands)

City of Austin, Texas
Exhibit B-1

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 54	4	58
Pooled investments and cash	122,949	228,172	351,121
Investments, at fair value	--	15,673	15,673
Cash held by trustee-restricted	160	5,362	5,522
Property taxes receivable, net of allowance	6,652	3,653	10,305
Accounts receivable, net of allowance	54,205	29,480	83,685
Receivables from other governments	--	16,059	16,059
Notes receivable, net of allowance	--	17,829	17,829
Due from other funds	226	44,942	45,168
Advances to other funds	--	2,777	2,777
Inventories, at cost	691	--	691
Real property held for resale	--	6,520	6,520
Prepaid items	171	--	171
Other assets	173	858	1,031
Total assets	185,281	371,329	556,610
LIABILITIES AND FUND BALANCES			
Accounts payable	17,268	24,547	41,815
Accrued payroll	12,667	56	12,723
Accrued compensated absences	392	--	392
Due to other funds	196	45,168	45,364
Deferred revenue	19,644	10,711	30,355
Advances from other funds	1,630	902	2,532
Deposits and other liabilities	3,321	49,917	53,238
Total liabilities	55,118	131,301	186,419
Fund balances			
Nonspendable:			
Inventories and prepaid items	862	--	862
Permanent funds	--	1,040	1,040
Restricted	--	174,773	174,773
Committed	5,220	27,899	33,119
Assigned	11,035	74,328	85,363
Unassigned	113,046	(38,012)	75,034
Total fund balances	130,163	240,028	370,191
Total liabilities and fund balances	$ 185,281	371,329	556,610

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012
(In thousands)

Total fund balances - Governmental funds		$ 370,191
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Governmental capital assets	3,682,139	
Less: accumulated depreciation	(1,243,855)	
		2,438,284
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Deferred revenue - accounts and other taxes receivable	14,855	
Deferred revenue - property taxes and interest	5,699	
Deferred costs and expenses	9,315	
Net pension asset	7,184	
		37,053
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Bonds and other tax supported debt payable, net	(1,013,732)	
Pension obligation payable	(68,654)	
Other post employment benefits payable	(301,110)	
Compensated absences	(116,068)	
Interest payable	(3,826)	
Deferred credits and other liabilities	(12,235)	
		(1,515,625)
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 and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		85,334
Total net assets - Governmental activities		$ 1,415,237

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 278,380	103,231	381,611
Sales taxes	164,193	--	164,193
Franchise fees and other taxes	38,542	60,361	98,903
Fines, forfeitures and penalties	15,784	4,467	20,251
Licenses, permits and inspections	22,664	--	22,664
Charges for services/goods	44,147	12,250	56,397
Intergovernmental	--	76,233	76,233
Property owners' participation and contributions	--	6,624	6,624
Interest and other	4,414	11,518	15,932
Total revenues	568,124	274,684	842,808
EXPENDITURES			
Current:			
General government	67,824	7,022	74,846
Public safety	472,487	10,971	483,458
Transportation, planning and sustainability	216	7,340	7,556
Public health	42,870	22,991	65,861
Public recreation and culture	74,031	6,787	80,818
Urban growth management	39,233	40,788	80,021
Debt service:			
Principal	--	71,906	71,906
Interest	--	46,188	46,188
Fees and commissions	--	16	16
Capital outlay-capital project funds	--	178,380	178,380
Total expenditures	696,661	392,389	1,089,050
Deficiency of revenues over expenditures	(128,537)	(117,705)	(246,242)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	145,175	145,175
Issuance of refunding bonds	--	58,347	58,347
Bond premiums	--	8,207	8,207
Payment to refunding bond escrow agent	--	(66,554)	(66,554)
Transfers in	144,208	34,560	178,768
Transfers out	(19,761)	(57,077)	(76,838)
Total other financing sources (uses)	124,447	122,658	247,105
Net change in fund balances	(4,090)	4,953	863
Fund balances at beginning of year	134,253	235,075	369,328
Fund balances at end of year	$ 130,163	240,028	370,191

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

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2012
(In thousands)

Net change in fund balances - Governmental funds		$	863
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	170,595		
Depreciation expense	(115,474)		
Loss on disposal of capital assets	(5,693)		
			49,428
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.			
Property taxes	(29)		
Charges for services	(660)		
Interest and other	110		
Capital assets contribution	14,913		
			14,334
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 assets. Also, governmental funds report the effect of issuance costs, premiums, 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	(145,175)		
Principal repayment on long-term debt	71,906		
Issuance of refunding bonds	(58,347)		
Refunding bond premiums	(8,207)		
Payment to refunding bond escrow agent	66,554		
			(73,269)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
Compensated absences	(7,615)		
Pension obligation	(7,076)		
Other post employment benefits	(67,092)		
Interest and other	(4,972)		
			(86,755)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.			20,092
Change in net assets - Governmental activities		$	(75,307)

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

Proprietary Funds
Statement of Net Assets
September 30, 2012
(In thousands)

	Austin Energy	Austin Water Utility	Airport
ASSETS			
Current assets:			
Cash	$ 21	6	7
Pooled investments and cash	48,648	13,162	6,998
Pooled investments and cash - restricted	81,100	82,055	23,515
Total pooled investments and cash	129,748	95,217	30,513
Investments, at fair value - restricted	101,775	85,353	15,427
Cash held by trustee	--	--	--
Cash held by trustee - restricted	1,815	96	--
Investments held by trustee	--	--	--
Working capital advances	4,231	--	--
Accounts receivable, net of allowance	161,894	70,094	5,213
Receivables from other governments	--	--	--
Due from other funds	794	--	--
Inventories, at cost	80,965	1,931	1,586
Other receivables - restricted	2,577	88	502
Deferred costs and expenses, net of amortization	30,629	24,335	--
Prepaid expenses	6,513	16	9
Other assets	45,248	--	--
Total current assets	566,210	277,136	53,257
Noncurrent assets:			
Cash - restricted	5,250	--	--
Pooled investments and cash - restricted	--	--	122,739
Advances to other funds	27,045	--	--
Advances to other funds - restricted	--	--	85
Investments, at fair value - restricted	129,536	59,924	--
Investments held by trustee - restricted	184,983	19,660	--
Interest receivable - restricted	1,086	--	--
Depreciable capital assets, net of accumulated depreciation	2,381,760	2,632,638	501,811
Nondepreciable capital assets	209,856	597,397	113,638
Derivative instruments - energy risk management	8,654	--	--
Other long-term assets	52	--	--
Deferred costs and expenses, net of amortization	187,787	170,452	2,480
Total noncurrent assets	3,136,009	3,480,071	740,753
Total assets	3,702,219	3,757,207	794,010
Deferred outflows of resources	$ 79,708	26,424	52,418

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

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS			
Current assets:			
Cash	32	66	13
Pooled investments and cash	154,694	223,502	113,856
Pooled investments and cash - restricted	45,818	232,488	--
Total pooled investments and cash	200,512	455,990	113,856
Investments, at fair value - restricted	10,241	212,796	--
Cash held by trustee	--	--	--
Cash held by trustee - restricted	--	1,911	1,114
Investments held by trustee	--	--	--
Working capital advances	--	4,231	--
Accounts receivable, net of allowance	22,417	259,618	7,921
Receivables from other governments	--	--	13
Due from other funds	210	1,004	11
Inventories, at cost	2,484	86,966	1,582
Other receivables - restricted	724	3,891	--
Deferred costs and expenses, net of amortization	--	54,964	--
Prepaid expenses	177	6,715	92
Other assets	--	45,248	--
Total current assets	236,797	1,133,400	124,602
Noncurrent assets:			
Cash - restricted	--	5,250	--
Pooled investments and cash - restricted	--	122,739	--
Advances to other funds	45	27,090	179
Advances to other funds - restricted	325	410	--
Investments, at fair value - restricted	10,263	199,723	--
Investments held by trustee - restricted	--	204,643	--
Interest receivable - restricted	--	1,086	--
Depreciable capital assets, net of accumulated depreciation	351,193	5,867,402	44,844
Nondepreciable capital assets	154,424	1,075,315	1,047
Derivative instruments - energy risk management	--	8,654	--
Other long-term assets	--	52	--
Deferred costs and expenses, net of amortization	4,491	365,210	12
Total noncurrent assets	520,741	7,877,574	46,082
Total assets	757,538	9,010,974	170,684
Deferred outflows of resources	20,368	178,918	--

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

(Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	$ 57,716	2,916	2,171
Accounts and retainage payable from restricted assets	12,642	27,992	3,364
Accrued payroll	3,483	1,790	536
Accrued compensated absences	10,385	5,387	1,471
Claims payable	--	--	--
Due to other funds	--	--	141
Accrued interest payable from restricted assets	30,389	43,767	723
Interest payable on other debt	20	26	865
Bonds payable	--	--	38
Bonds payable from restricted assets	105,216	79,932	14,795
Capital lease obligations payable	42	--	--
Customer and escrow deposits payable from restricted assets	23,481	16,339	410
Accrued landfill closure and postclosure costs	--	--	--
Deferred credits and other liabilities	15,541	22,270	507
Other liabilities payable from restricted assets	--	--	--
Total current liabilities	258,915	200,419	25,021
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	74	--	246
Claims payable	--	--	--
Advances from other funds	--	2,761	1,260
Advances from other funds payable from restricted assets	--	22,723	--
Capital appreciation bond interest payable	10,570	91,359	--
Commercial paper notes payable, net of discount	225,256	79,770	--
Bonds payable, net of discount and inclusive of premium	1,081,412	2,236,125	254,650
Pension obligation payable	30,615	15,143	4,580
Other post employment benefits payable	80,079	48,104	13,848
Capital lease obligations payable	1,176	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	171,608	--	--
Derivative instruments - energy risk management	79,777	--	--
Derivative instruments - interest rate swaps	--	26,424	52,418
Deferred credits and other liabilities	236,916	460,077	--
Other liabilities payable from restricted assets	--	--	56
Total noncurrent liabilities	1,917,483	2,982,486	327,058
Total liabilities	2,176,398	3,182,905	352,079
Deferred inflows of resources	$ 8,645	--	--

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	5,189	67,992	12,276
Accounts and retainage payable from restricted assets	2,110	46,108	--
Accrued payroll	2,234	8,043	2,735
Accrued compensated absences	5,586	22,829	7,507
Claims payable	--	--	16,546
Due to other funds	530	671	148
Accrued interest payable from restricted assets	1,917	76,796	--
Interest payable on other debt	679	1,590	16
Bonds payable	14,204	14,242	346
Bonds payable from restricted assets	10,205	210,148	--
Capital lease obligations payable	--	42	159
Customer and escrow deposits payable from restricted assets	3,275	43,505	--
Accrued landfill closure and postclosure costs	1,119	1,119	--
Deferred credits and other liabilities	276	38,594	1,484
Other liabilities payable from restricted assets	6,364	6,364	--
Total current liabilities	53,688	538,043	41,217
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	109	429	383
Claims payable	--	--	17,673
Advances from other funds	1,013	5,034	167
Advances from other funds payable from restricted assets	--	22,723	--
Capital appreciation bond interest payable	--	101,929	--
Commercial paper notes payable, net of discount	--	305,026	--
Bonds payable, net of discount and inclusive of premium	280,238	3,852,425	3,729
Pension obligation payable	17,263	67,601	--
Other post employment benefits payable	49,910	191,941	--
Capital lease obligations payable	--	1,176	--
Accrued landfill closure and postclosure costs	10,914	10,914	--
Decommissioning liability payable from restricted assets	--	171,608	--
Derivative instruments - energy risk management	--	79,777	--
Derivative instruments - interest rate swaps	20,368	99,210	--
Deferred credits and other liabilities	2,737	699,730	--
Other liabilities payable from restricted assets	4,064	4,120	--
Total noncurrent liabilities	386,616	5,613,643	21,952
Total liabilities	440,304	6,151,686	63,169
Deferred inflows of resources	--	8,645	--

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

(Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2012
(In thousands)

	Austin Energy	Austin Water Utility	Airport
NET ASSETS			
Invested in capital assets, net of related debt	$ 1,081,344	438,680	345,887
Restricted for:			
Debt service	71,386	37,394	14,632
Strategic reserve	116,483	--	--
Capital projects	46,851	47,862	90,026
Renewal and replacement	64	--	10,000
Bond reserve	13,054	26,279	--
Passenger facility charges	--	--	35,663
Operating reserve	--	--	10,235
Unrestricted	267,702	50,511	(12,094)
Total net assets	$ 1,596,884	600,726	494,349
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	9,908	4,880	1,921
Total net assets - Business-type activities	$ 1,606,792	605,606	496,270

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

	Nonmajor Enterprise Funds	Total	
NET ASSETS			
Invested in capital assets, net of related debt	238,712	2,104,623	41,669
Restricted for:			
Debt service	8,286	131,698	--
Strategic reserve	--	116,483	--
Capital projects	14,375	199,114	2,721
Renewal and replacement	831	10,895	--
Bond reserve	7,269	46,602	--
Passenger facility charges	--	35,663	--
Operating reserve	3,525	13,760	--
Unrestricted	64,604	370,723	63,125
Total net assets	337,602	3,029,561	107,515
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	5,472	22,181	
Total net assets - Business-type activities	343,074	3,051,742	

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

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the year ended September 30, 2012
(In thousands)

	Austin Energy	Austin Water Utility	Airport
OPERATING REVENUES			
Utility services	$ 1,179,872	442,707	--
User fees and rentals	--	--	95,904
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,179,872	442,707	95,904
OPERATING EXPENSES			
Operating expenses before depreciation	896,396	190,987	69,201
Depreciation and amortization	144,909	95,392	20,398
Total operating expenses	1,041,305	286,379	89,599
Operating income (loss)	138,567	156,328	6,305
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	10,248	313	395
Interest on revenue bonds and other debt	(75,310)	(102,644)	(12,933)
Interest capitalized during construction	--	--	512
Passenger facility charges	--	--	18,414
Amortization of bond issue cost	(714)	(869)	(220)
Cost (recovered) to be recovered in future years	(4,607)	(32,509)	--
Other nonoperating revenue (expense)	(5,708)	3,466	537
Total nonoperating revenues (expenses)	(76,091)	(132,243)	6,705
Income (loss) before contributions and transfers	62,476	24,085	13,010
Capital contributions	12,360	20,059	9,030
Transfers in	319	6,505	--
Transfers out	(105,428)	(37,237)	(6,395)
Change in net assets	(30,273)	13,412	15,645
Total net assets - beginning	1,627,157	587,314	478,704
Total net assets - ending	$ 1,596,884	600,726	494,349
Reconciliation to government-wide Statement of Activities			
Change in net assets	(30,273)	13,412	15,645
Adjustment to consolidate internal service activities	2,342	1,272	406
Change in net assets - Business-type activities	$ (27,931)	14,684	16,051

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

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,622,579	--
User fees and rentals	223,415	319,319	--
Billings to departments	--	--	311,362
Employee contributions	--	--	30,129
Operating revenues from other governments	--	--	3,464
Other operating revenues	--	--	12,330
Total operating revenues	223,415	1,941,898	357,285
OPERATING EXPENSES			
Operating expenses before depreciation	226,701	1,383,285	322,936
Depreciation and amortization	24,611	285,310	11,828
Total operating expenses	251,312	1,668,595	334,764
Operating income (loss)	(27,897)	273,303	22,521
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	573	11,529	43
Interest on revenue bonds and other debt	(12,086)	(202,973)	(229)
Interest capitalized during construction	1,528	2,040	--
Passenger facility charges	--	18,414	--
Amortization of bond issue cost	(346)	(2,149)	11
Cost (recovered) to be recovered in future years	--	(37,116)	--
Other nonoperating revenue (expense)	(3,142)	(4,847)	(11,672)
Total nonoperating revenues (expenses)	(13,473)	(215,102)	(11,847)
Income (loss) before contributions and transfers	(41,370)	58,201	10,674
Capital contributions	8,615	50,064	17,105
Transfers in	46,646	53,470	4,388
Transfers out	(4,318)	(153,378)	(6,410)
Change in net assets	9,573	8,357	25,757
Total net assets - beginning	328,029	3,021,204	81,758
Total net assets - ending	337,602	3,029,561	107,515
Reconciliation to government-wide Statement of Activities			
Change in net assets	9,573	8,357	
Adjustment to consolidate internal service activities	1,645	5,665	
Change in net assets - Business-type activities	11,218	14,022	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2012
(In thousands)

	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,214,955	448,392	93,947
Cash payments to suppliers for goods and services	(720,007)	(97,176)	(40,339)
Cash payments to employees for services	(161,077)	(81,327)	(24,958)
Cash payments to claimants/beneficiaries	--	--	--
Taxes collected and remitted to other governments	(38,236)	--	--
Net cash provided by operating activities	295,635	269,889	28,650
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	319	110	--
Transfers out	(105,428)	(37,237)	--
Interest paid on revenue notes and other debt	(219)	--	--
Increase in deferred assets	(3,304)	--	--
Contributions (to) from other funds	--	140	--
Loans to other funds	--	--	--
Loans from other funds	--	--	--
Loan repayments to other funds	--	(1,652)	--
Loan repayments from other funds	1,960	--	(135)
Collections from other governments	9,490	--	582
Net cash provided (used) by noncapital financing activities	(97,182)	(38,639)	447
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	72,674	237,560	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	1,965	--
Proceeds from the sale of revenue bonds	--	27,593	--
Principal paid on long-term debt	(75,851)	(72,194)	(42,196)
Purchased interest received	--	2,489	--
Interest paid on revenue bonds and other debt	(96,143)	(110,976)	(11,932)
Passenger facility charges	--	--	18,414
Acquisition and construction of capital assets	(164,240)	(275,647)	(21,515)
Contributions from municipality	--	--	--
Contributions in aid of construction	12,360	9,133	9,030
Bond issuance costs	--	(5,145)	--
Bond premiums	--	78,885	5
Bonds issued for advanced refundings of debt	--	575,625	48
Cash paid for bond refunding escrow	--	(270,480)	--
Cash paid to payoff commercial paper	--	(365,000)	--
Proceeds from municipal utility district reserves	--	--	(53)
Cash paid for nuclear fuel inventory	(4,084)	--	--
Net cash (used) by capital and related financing activities	$ (255,284)	(166,192)	(48,199)

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

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	216,468	1,973,762	351,414
Cash payments to suppliers for goods and services	(106,419)	(963,941)	(95,777)
Cash payments to employees for services	(101,619)	(368,981)	(125,176)
Cash payments to claimants/beneficiaries	--	--	(99,884)
Taxes collected and remitted to other governments	--	(38,236)	--
Net cash provided by operating activities	8,430	602,604	30,577
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	46,646	47,075	4,388
Transfers out	(4,318)	(146,983)	(6,410)
Interest paid on revenue notes and other debt	(9)	(228)	--
Increase in deferred assets	--	(3,304)	--
Contributions (to) from other funds	620	760	--
Loans to other funds	(332)	(332)	--
Loans from other funds	16	16	--
Loan repayments to other funds	(879)	(2,531)	(141)
Loan repayments from other funds	139	1,964	--
Collections from other governments	697	10,769	--
Net cash provided (used) by noncapital financing activities	42,580	(92,794)	(2,163)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	310,234	--
Proceeds from the sale of general obligation bonds and other tax supported debt	17,275	19,240	--
Proceeds from the sale of revenue bonds	--	27,593	--
Principal paid on long-term debt	(23,859)	(214,100)	(774)
Purchased interest received	126	2,615	--
Interest paid on revenue bonds and other debt	(12,474)	(231,525)	(233)
Passenger facility charges	--	18,414	--
Acquisition and construction of capital assets	(30,174)	(491,576)	(12,334)
Contributions from municipality	--	--	--
Contributions in aid of construction	5,235	35,758	--
Bond issuance costs	(876)	(6,021)	--
Bond premiums	3,737	82,627	--
Bonds issued for advanced refundings of debt	31,800	607,473	--
Cash paid for bond refunding escrow	(32,907)	(303,387)	--
Cash paid to payoff commercial paper	--	(365,000)	--
Proceeds from municipal utility district reserves	--	(53)	--
Cash paid for nuclear fuel inventory	--	(4,084)	--
Net cash (used) by capital and related financing activities	(42,117)	(511,792)	(13,341)

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (320,195)	(221,134)	(57,989)
Proceeds from sale and maturities of investment securities	338,682	182,456	58,136
Interest on investments	5,838	313	395
Net cash provided (used) by investing activities	24,325	(38,365)	542
Net increase (decrease) in cash and cash equivalents	(32,506)	26,693	(18,560)
Cash and cash equivalents, October 1	169,340	68,626	171,819
Cash and cash equivalents, September 30	136,834	95,319	153,259
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	138,567	156,328	6,305
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	144,909	94,404	20,398
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	3,711	--	--
(Increase) in accounts receivable	(15,473)	(1,778)	(1,995)
Increase in allowance for doubtful accounts	673	533	142
Decrease in due from other funds	--	--	11
(Increase) decrease in inventory	(5,847)	(213)	(220)
(Increase) decrease in prepaid expenses and other assets	4,296	(10)	(2)
(Increase) in advances to other funds	--	--	--
(Increase) decrease in deferred costs and other expenses	(1,541)	25	--
Decrease in other long-term assets	5	168	--
Increase (decrease) in accounts payable	(12,495)	241	395
Increase (decrease) in accrued payroll and compensated absences	(281)	249	221
Increase in claims payable	--	--	--
Increase in advances from other funds	--	--	--
Increase in pension obligations payable	2,878	1,378	426
Increase in other post employment benefits payable	17,843	10,718	3,085
Increase (decrease) in deferred credits and other liabilities	25,006	(72)	(94)
Increase (decrease) in customer deposits	(6,616)	6,930	(22)
Total adjustments	157,068	113,561	22,345
Net cash provided by operating activities	$ 295,635	269,889	28,650

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

	Business-Type Activities: Nonmajor Enterprise Funds	Business-Type Activities: Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(21,491)	(620,809)	--
Proceeds from sale and maturities of investment securities	19,371	598,645	--
Interest on investments	573	7,119	43
Net cash provided (used) by investing activities	(1,547)	(15,045)	43
Net increase (decrease) in cash and cash equivalents	7,346	(17,027)	15,116
Cash and cash equivalents, October 1	193,198	602,983	99,867
Cash and cash equivalents, September 30	200,544	585,956	114,983
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(27,897)	273,303	22,521
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	24,611	284,322	11,828
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	--	3,711	--
(Increase) in accounts receivable	(6,932)	(26,178)	(5,636)
Increase in allowance for doubtful accounts	174	1,522	--
Decrease in due from other funds	--	11	--
(Increase) decrease in inventory	(1,356)	(7,636)	52
(Increase) decrease in prepaid expenses and other assets	24	4,308	(10)
(Increase) in advances to other funds	--	--	(87)
(Increase) decrease in deferred costs and other expenses	--	(1,516)	(5)
Decrease in other long-term assets	19	192	--
Increase (decrease) in accounts payable	441	(11,418)	420
Increase (decrease) in accrued payroll and compensated absences	758	947	879
Increase in claims payable	--	--	358
Increase in advances from other funds	22	22	--
Increase in pension obligations payable	1,674	6,356	--
Increase in other post employment benefits payable	11,121	42,767	--
Increase (decrease) in deferred credits and other liabilities	5,981	30,821	257
Increase (decrease) in customer deposits	(210)	82	--
Total adjustments	36,327	329,301	8,056
Net cash provided by operating activities	8,430	602,604	30,577

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2012
(In thousands)

	Austin Energy	Austin Water Utility	Airport
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	$ 122	36,418	--
Capital appreciation bonds interest accreted	1,866	9,346	--
Capital assets contributed (to) from other funds	--	1,396	--
Contributed facilities	--	9,530	--
Decrease in the fair value of investments	(681)	--	--
Amortization of bond issue costs	(714)	(869)	(220)
Amortization of bond (discounts) premiums	3,986	7,160	241
Amortization of deferred loss on refundings	(9,482)	(4,442)	(1,243)
Gain (loss) on disposal of assets	(17,169)	2,245	--
Deferred costs to be recovered	11,429	(32,509)	--
Increase (decrease) in deferred credits and other liabilities	13,734	(4,331)	--
Transfers (to) from other funds	--	6,395	(6,395)
Capitalized interest	--	--	512

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

	Nonmajor Enterprise Funds	Total	
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	(246)	36,294	--
Capital appreciation bonds interest accreted	--	11,212	--
Capital assets contributed (to) from other funds	(1,455)	(59)	17,082
Contributed facilities	--	9,530	--
Decrease in the fair value of investments	--	(681)	--
Amortization of bond issue costs	(346)	(2,149)	(11)
Amortization of bond (discounts) premiums	937	12,324	--
Amortization of deferred loss on refundings	(1,199)	(16,366)	--
Gain (loss) on disposal of assets	(443)	(15,367)	(11,672)
Deferred costs to be recovered	--	(21,080)	--
Increase (decrease) in deferred credits and other liabilities	--	9,403	--
Transfers (to) from other funds	--	--	--
Capitalized interest	1,528	2,040	--

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

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 1,452	2,276
Due from other funds	25	--
Other assets	120	--
Total assets	1,597	2,276
LIABILITIES		
Accounts payable	--	109
Due to other governments	--	1,622
Due to other funds	25	--
Deposits and other liabilities	701	545
Total liabilities	726	2,276
NET ASSETS		
Held in trust	871	
Total net assets	$ 871	

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

	Private-purpose Trust
ADDITIONS	
Contributions	$ 499
Interest and other	4
Total additions	503
DEDUCTIONS	
Benefit payments	496
Total deductions	496
Net additions (deductions)	7
Total net assets - beginning	864
Total net assets - ending	$ 871

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 and six Councilmembers, all of whom are elected at large for three-year staggered terms and may serve a maximum of two consecutive terms. A petition signed by 5% of the registered voters waives the term limit for a Councilmember.

On November 6, 2012, City of Austin voters approved a Charter Amendment which provides for the election of City Councilmembers from 10 geographical single-member districts, with the mayor to be elected from the city at large. This new process will be effective with the November 2014 election. A 14-member Citizens Redistricting Commission will draw the boundaries for the 10 districts in compliance with federal and state requirements.

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. 59 and No. 64. In fiscal year 2012, the City implemented GASB Statement No. 64 titled "*Derivative Instruments: Application of Hedge Accounting Termination Provisions,*" which had no material impact on the financial statements for fiscal year 2012. 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

As required by GAAP, 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.

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

The Mueller Local Government Corporation (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 and members of the City staff serve as officers of the corporation. The entity is reported as a nonmajor special revenue fund in the City's financial statements.

Related Organizations -- The City council appoints board members, but the City has no significant financial accountability for the following related organizations:

- Capital Metropolitan Transit Authority (Capital Metro) – The City's accountability for this organization does not extend beyond appointing board members.
- Austin-Bergstrom International Airport (ABIA) Development Corporation – City Councilmembers appoint themselves as members of the board, but their function on the board is ministerial rather than substantive.
- Austin-Bergstrom Landhost Enterprises, Inc. and Austin Convention Enterprises, Inc. – City Councilmembers appoint members of these boards. Debt issues by these entities do not constitute a debt or pledge of the faith and credit of the City.
- Austin Travis County Mental Health Mental Retardation Center – The nine board members are appointed by the City, Travis County, and the Austin Independent School District.
- Urban Renewal Agency – 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.
- Austin Housing Authority – The Mayor appoints the persons to serve as commissioners of this organization.

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

- Travis County Healthcare District – City Councilmembers appoint four board managers, Travis County appoints four board managers, and the City and County mutually appoint one board manager. Travis County reports the Healthcare District as a component unit on their financial statements.

All of these entities are separate from the operating activities of the City. Related organizations are not included in the City's reporting entity.

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.

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 assets 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 and liability balances that are not eliminated in the statement of net assets are 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 GASB Statement No. 34; the City has elected to present the Airport Fund as a major fund even though it does not meet the minimum criteria. 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.

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. Reconciliation of the fund financial statements to the government-wide statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

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

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.

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.

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

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 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.

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. In accordance with GASB Statement No. 20, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

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

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-levying 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.

e -- Financial Statement Elements

Pooled Investments and Cash -- Cash balances of all city funds (except for certain funds shown in Note 2 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, 2012. Investments in local government investment pools are carried at net asset value per share calculated using the amortized cost method which approximates fair value.

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

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net assets, 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, 2012 (in thousands):

	Charges for Services	Fines	Taxes	Other Govern-ments	Other	Total
Governmental activities						
General Fund	$ 169,501	23,385	36,253	--	--	229,139
Nonmajor governmental funds	1,026	64	13,590	13,090	1,969	29,739
Internal service funds	7,921	--	--	--	--	7,921
Allowance for doubtful accounts	(163,544)	(11,390)	--	(259)	--	(175,193)
Total	$ 14,904	12,059	49,843	12,831	1,969	91,606

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

	Austin Energy	Austin Water	Airport	Nonmajor enterprise	Total
Accounts Receivable	$ 164,479	70,864	6,132	22,941	264,416
Allowance for doubtful accounts	(2,585)	(770)	(919)	(524)	(4,798)
Total	$ 161,894	70,094	5,213	22,417	259,618

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 assets 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 assets 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 assets, internal balances are the receivables and payables between the governmental and business-type activities.

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

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

Fund	Inventory Valuation Method
General Fund	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 and certain special revenue funds are offset by a fund balance reserve, which indicates that they do not represent "available spendable resources."

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

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

The balance 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	$ 46,853	95,189	90,022	24,599	256,663
Customer and escrow deposits	23,481	6,710	410	2,973	33,574
Debt service	101,775	81,161	15,436	10,566	208,938
Environmental and landfill	--	--	--	7,195	7,195
Federal grants	5,250	--	502	724	6,476
Operating reserve account	--	--	10,235	10,218	20,453
Passenger facility charge account	--	--	35,663	--	35,663
Plant decommissioning	201,162	--	--	--	201,162
Renewal and replacement account	64	--	10,000	833	10,897
Revenue bond reserve	13,054	64,116	--	10,263	87,433
Strategic reserve	116,483	--	--	--	116,483
	$ 508,122	247,176	162,268	67,371	984,937

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 assets; 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 assets 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.

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

		Business-type Activities			
Assets	Governmental Activities (1)	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise
Buildings	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
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds

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

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 $12.8 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.

Deferred Expenses or Credits -- In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are deferred to future periods in which they are intended to be recovered by rates. Likewise, certain credits to income are deferred to periods in which they are matched with related costs. These expenses or credits include changes in fair value of investments, contributions, and debt issuance costs, pension, other post employment benefits, interest, decommission, fuel recovery, etc. Deferred expenses will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If deferred expenses are not recoverable in future rates, the deferred expenses will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues, expenses, and deferred amounts.

Deferred (Inflows) Outflows of Resources -- In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, derivative instruments are reported in the statement of net assets at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred inflows or outflows in the statement of net assets, as an offset to the related hedging derivative instrument.

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.

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

	Work-week	Non-Civil Service Employees (1)	Civil Service Police (2)	Civil Service Fire (3)
Vacation	0-40	240	240	240
	42	270	N/A	N/A
	48	309	N/A	N/A
	53	N/A	N/A	360
Exception vacation (4)	0-40	160	160	176
	42	160	N/A	N/A
	48	160	N/A	N/A
	53	N/A	N/A	264
Sick leave	0-40	720	1,400	720
	42	756	N/A	N/A
	48	926	N/A	N/A
	53	N/A	N/A	1,080

(1) Non-civil service employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
(2) Civil service police employees with 10 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) Civil service fire employees are eligible for accumulated sick leave payout regardless of hire date.
(4) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.

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

Other Post Employment 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, 2012, the City's total actuarial accrued liability for these retiree benefits was approximately $1.5 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

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

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

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

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 liability and the related deferred amount on the statement of net assets. Austin Energy and Austin Water Utility recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

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

Landfill Closure and Postclosure Care Costs -- Municipal solid waste landfill costs are reported in accordance with GASB Statement No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*". The liability for landfill closure and postclosure costs is reported in the Austin Resource Recovery Fund, 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	$ 3,483
Austin Water Utility	1,253
Airport	140
Nonmajor Enterprise	1,013

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, 2012. The amount of unbilled revenue recorded, as of September 30, 2012, was $34.9 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2012. The amount of unbilled revenue recorded as of September 30, 2012 was $12.5 million for water and $11.4 million for wastewater.

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

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

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

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

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

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

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

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

Committed: The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of a majority vote by City Council.

Assigned: The portion of fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Under the city charter, the City Manager and designees are authorized to assign individual amounts up to $55,000 in fiscal year 2012 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. The most recently published Consumer Price Index on May 4, 2002, shall be used as a base of 100 and the adjustment thereafter will be to the nearest one thousand dollars ($1,000).

Unassigned: The portion of fund balance that is not restricted, committed, or assigned to specific purposes.

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:

	General Fund	Nonmajor Governmental	Total
Nonspendable			
General government	$ 108	50	158
Public safety	672	--	672
Public Health	2	--	2
Public recreation and culture	--	990	990
Urban growth management	80	--	80
Total Nonspendable	862	1,040	1,902
Restricted			
General government	--	20,646	20,646
Public safety	--	15,356	15,356
Transportation, planning, and sustainability	--	56,468	56,468
Public Health	--	281	281
Public recreation and culture	--	15,006	15,006
Urban growth management	--	67,016	67,016
Total Restricted	--	174,773	174,773
Committed			
General government	40	3,266	3,306
Public safety	1,478	47	1,525
Transportation, planning, and sustainability	31	178	209
Public Health	2,037	1	2,038
Public recreation and culture	390	6,135	6,525
Urban growth management	1,244	18,272	19,516
Total Committed	5,220	27,899	33,119
Assigned			
General government	--	24,713	24,713
Public safety	278	2,073	2,351
Transportation, planning, and sustainability	44	17,994	18,038
Public Health	207	203	410
Public recreation and culture	201	23,710	23,911
Urban growth management	10,305	5,635	15,940
Total Assigned	11,035	74,328	85,363
Unassigned	113,046	(38,012)	75,034
Total Fund Balance	$ 130,163	$ 240,028	370,191

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, 2012, the contingency reserve maintains a balance of 1 percent of departmental expenditures, or $6.5 million, the emergency reserve remains fixed with a balance of $40 million, and the budget stabilization reserve reports a balance of $64.3 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.

Pension Costs -- State law governs pension contribution requirements and benefits. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (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 for coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites. It complies with GASB Statement No. 10, "*Accounting and Reporting for Risk Financing and Related Insurance issues*" (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 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/expense 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, 2012 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	**Restricted**
General Fund	$ 122,949	--
Nonmajor governmental funds	228,172	--
Austin Energy	48,648	81,100
Austin Water Utility	13,162	82,055
Airport	6,998	146,254
Nonmajor enterprise funds	154,694	45,818
Internal service funds	113,856	--
Fiduciary funds	3,728	--
Subtotal pooled investments and cash	692,207	355,227
Total pooled investments and cash	$ 1,047,434	

3 – INVESTMENTS AND DEPOSITS
a -- Investments

Chapter 2256 of the Texas Government Code (the Public Fund 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.

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

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 state and national banks domiciled 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. Certificates of deposit issued by savings banks domiciled in Texas;
10. Share certificates issued by a state or federal credit unions domiciled in Texas;
11. Money market mutual funds; and
12. Local government investment pools (LGIPs).

The City participates in four local government investment pools: 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 invests in TexPool, TexasDaily, TexStar, and Lone Star to provide its liquidity needs. TexPool, TexasDAILY, TexStar, and Lone Star are local government investment pools 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 2(a)7-like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such 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, 2012, TexPool, TexasDAILY, TexStar, and Lone Star had a weighted average maturity of 41 days, 54 days, 44 days, and 45 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 2012.

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.

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

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2012 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 15,673	296,051	--	311,724
Money Market Funds	--	55,474	--	55,474
US Treasury Notes	--	52,998	--	52,998
US Agency Bonds	--	212,639	--	212,639
Total non-pooled investments	15,673	617,162	--	632,835
Pooled investments:				
Local Government Investment Pools	146,850	182,776	1,177	330,803
US Agency Bonds	322,837	401,853	2,551	727,241
Total pooled investments	469,687	584,629	3,728	1,058,044
Total investments	$ 485,360	1,201,791	3,728	1,690,879

Concentration of Credit Risk
At September 30, 2012, 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 Home Loan Bank ($397.3 or 24%), Federal Home Loan Mortgage Corporation ($280.1 or 17%), and Federal National Mortgage Association ($196.3 or 12%).

b -- Investment Categories

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 a special project fund;
2. Debt service funds;
3. Special project fund;
4. 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.

Operating Funds
As of September 30, 2012, the City operating funds had the following investments:

	Fair Value (in thousands)				
Investment Type	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Weighted Average Maturity (days)
Local Government Investment Pools	$ 146,850	182,776	1,177	330,803	1
US Agency Bonds	322,837	401,853	2,551	727,241	421
Total	$ 469,687	584,629	3,728	1,058,044	289

Credit Risk
None of the operating portfolio consists of direct obligations of the US government. As of September 30, 2012, Standard and Poor's issued the following ratings for other investments:

Local Government Investment Pools	31%	AAAm
US Agencies	69%	AA+

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

Concentration of Credit Risk
At September 30, 2012, the operating funds held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($341.0 or 33%), Federal Home Loan Mortgage Corporation ($210.5 or 20%), and Federal National Mortgage Association ($135.6 or 13%).

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, 2012, less than half of the Investment Pool was invested in AAAm rated LGIPS (2(a) 7-like pools), with the remainder invested in short-to-medium term US Agency obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 289 days, which was less than the threshold of 365 days.

Debt Service Funds
As of September 30, 2012, the City's debt service funds had the following investments:

	Fair Value (in thousands)		
Investment Type	**Governmental Activities**	**Business-type Activities**	**Final Maturity**
General Obligation Debt Service			
Local Government Investment Pools	$ 15,673	--	N/A
Enterprise-Utility (1)			
Local Government Investment Pools	--	182,936	N/A
Enterprise-Airport			
Local Government Investment Pools	--	15,351	N/A
Nonmajor Enterprise-Convention Center			
Local Government Investment Pools	--	10,241	N/A
Total	$ 15,673	208,528	

(1) Includes combined pledge debt service

Credit Risk
As of September 30, 2012, Standard and Poor's rated TexPool AAAm.

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.

Special Project Fund
Utility Reserve
At September 30, 2012, the City's special project fund had the following investments:

	Fair Value (in thousands)	
Investment Type	**Business-type Activities**	**Weighted Average Maturity (days)**
Local Government Investment Pools	$ 41,394	N/A

Credit Risk
As of September 30, 2012, Standard and Poor's rated TexPool AAAm.

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.

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

Airport Construction
As of September 30, 2012, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Weighted Average Maturity (days)
Local Government Investment Pools	$ 76	N/A

Credit Risk
As of September 30, 2012, Standard and Poor's rated TexPool AAAm.

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.

Convention Center Reserve
At September 30, 2012, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Weighted Average Maturity (days)
Local Government Investment Pools	$ 10,263	N/A

Credit Risk
As of September 30, 2012, Standard and Poor's rated TexPool AAAm.

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.

<u>Special Purpose Funds</u>
Austin Energy Strategic Reserve Fund
As of September 30, 2012, the City's Special Purpose fund (Austin Energy Strategic Reserve Fund) had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (days)
Local Government Investment Pools	$ 14	1
US Treasury Notes	11,686	1,506
US Agency Bonds	104,783	1,252
Total	$ 116,483	1,274

Credit risk
At September 30, 2012, the Austin Energy Strategic Reserve Fund held an investment in TexPool, an LGIP rated AAAm by Standard and Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard and Poor rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2012, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($10.2 or 9%), Federal Home Loan Bank ($14.0 or 12%), Federal Home Loan Mortgage Corporation ($30.1 or 26%), and Federal National Mortgage Association ($50.5 or 43%).

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.

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

At September 30, 2012, 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 1,274 days (3.50 years).

Austin Energy Nuclear Decommissioning Trust Funds (NDTF)
At September 30, 2012, the City's Special Purpose Fund had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (years)
Money Market Funds	$ 35,815	1 day
US Treasury Notes	41,312	2.49
US Agency Bonds	107,856	3.08
Total	$ 184,983	2.33

Credit Risk
At September 30, 2012, Standard and 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, 2012, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($15.8 or 9%), Federal Home Loan Bank ($42.3 or 23%), Federal Home Loan Mortgage Corporation ($39.5 or 21%), Federal National Mortgage Association ($10.3 or 6%).

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, 2012, the dollar weighted average maturity was 2.33 years.

Combined Utility Reserve
At September 30, 2012, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Weighted Average Maturity (days)
Local Government Investment Pools	$ 35,776	1

Credit Risk
At September 30, 2012, Standard and Poor's rated TexPool AAAm.

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.

Investments Held by Trustee
At September 30, 2012, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (years)
Money Market Funds	$ 19,659	1 day

Credit Risk
At September 30, 2012, Standard and Poor's rated the Money Market Fund AAAm.

Interest Rate Risk
Investment objectives for these special project 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 – Investments and Deposits

Investments and deposits portfolio balances at September 30, 2012, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 22,380	624,389	--	646,769
Pooled investments and cash	473,576	589,470	3,728	1,066,774
Total investments and cash	495,956	1,213,859	3,728	1,713,543
Unrestricted cash	71	66	--	137
Restricted cash	6,636	7,161	--	13,797
Pooled investments and cash	473,576	589,470	3,728	1,066,774
Investments	15,673	617,162	--	632,835
Total	$ 495,956	1,213,859	3,728	1,713,543

A difference of $19.3 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

Deposits
The September 30, 2012 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 71	66	137
Restricted	--	5,250	5,250
Cash held by trustee			
Restricted	6,636	1,911	8,547
Pooled cash	3,889	4,841	8,730
Total deposits	$ 10,596	12,068	22,664

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, 2012.

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, 2011, upon which the 2012 levy was based, was $79,219,780,879.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2012, 99.27% of the current tax levy (October 1, 2011) 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, 2012, was $.3551 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, 2012 was $.1260 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $.6449 per $100 assessed valuation, and could levy approximately $510,888,367 in additional taxes from the assessed valuation of $79,219,780,879 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

The City has recorded capitalized interest for fiscal year 2012 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Enterprise Funds		
Major fund:		
Airport	$	512
Nonmajor enterprise funds:		
Convention Center		1,070
Drainage		458
Solid Waste Services		--

Interest is not capitalized on governmental capital assets. In accordance with accounting for regulated operations, interest is also not capitalized on electric and water and wastewater capital assets.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Governmental Activities

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 343,852	5,991	(4,377)	345,466
Arts and treasures	6,950	651	--	7,601
Library collections	14,390	--	--	14,390
Total	365,192	6,642	(4,377)	367,457
Depreciable property, plant and equipment in service				
Building and improvements	702,041	55,415	(5,238)	752,218
Plant and equipment	188,680	60,371	(25,301)	223,750
Vehicles	103,152	18,956	(19,098)	103,010
Infrastructure	2,062,435	109,734	--	2,172,169
Total	3,056,308	244,476	(49,637)	3,251,147
Less accumulated depreciation for				
Building and improvements	(222,770)	(21,730)	757	(243,743)
Plant and equipment	(109,134)	(35,570)	7,493	(137,211)
Vehicles	(63,871)	(9,426)	7,045	(66,252)
Infrastructure	(790,041)	(60,576)	--	(850,617)
Total	(1,185,816)	(127,302) (2)	15,295	(1,297,823)
Net property, plant and equipment in service	1,870,492	117,174	(34,342)	1,953,324
Other capital assets				
Construction in progress	188,283	192,550	(217,439)	163,394
Total capital assets	$ 2,423,967	316,366	(256,158)	2,484,175

(1) Increases and decreases do not include transfers (at net book value) between Governmental Activities.

(2) Depreciation expense was charged to functions as follows (in thousands):

Governmental activities:	
General government	$ 20,108
Public safety	14,511
Transportation, planning and sustainability	51,432
Public health	1,702
Public recreation and culture	11,463
Urban growth management	16,258
Internal service funds	11,828
Total increases in accumulated depreciation	$ 127,302

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 69,128	6,118	(263)	74,983
Total	69,128	6,118	(263)	74,983
Depreciable property, plant and equipment in service				
Vehicles	29,243	2,419	(1,070)	30,592
Electric plant	4,102,736	174,366	(8,797)	4,268,305
Non-electric plant	157,188	16,732	(443)	173,477
Total	4,289,167	193,517	(10,310)	4,472,374
Less accumulated depreciation for				
Vehicles	(18,058)	(2,765)	1,078	(19,745)
Electric plant	(1,945,006)	(133,604)	7,891	(2,070,719)
Non-electric plant	(32,767)	(8,540)	184	(41,123)
Total	(1,995,831)	(144,909) (1)	9,153	(2,131,587)
Net property, plant and equipment in service	2,293,336	48,608	(1,157)	2,340,787
Other capital assets				
Construction in progress	159,409	165,856	(213,507)	111,758
Nuclear fuel, net of amortization	41,499	--	(526)	40,973
Plant held for future use	26,205	--	(3,090)	23,115
Total capital assets	$ 2,589,577	220,582	(218,543)	2,591,616

(1) Components of accumulated depreciation increases:

Current year depreciation	$ 144,909

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 218,246	7,440	(2)	225,684
Total	218,246	7,440	(2)	225,684
Depreciable property, plant and equipment in service				
Building and improvements	573,986	54,416	(11,009)	617,393
Plant and equipment	2,981,130	203,374	(18,213)	3,166,291
Vehicles	33,347	1,913	(1,249)	34,011
Total	3,588,463	259,703	(30,471)	3,817,695
Less accumulated depreciation for				
Building and improvements	(199,144)	(13,084)	9,452	(202,776)
Plant and equipment	(989,731)	(78,487)	21,591	(1,046,627)
Vehicles	(21,288)	(2,833)	1,307	(22,814)
Total	(1,210,163)	(94,404) (2)	32,350	(1,272,217)
Net property, plant and equipment in service	2,378,300	165,299	1,879	2,545,478
Other capital assets				
Construction in progress	351,678	272,068	(252,033)	371,713
Water rights, net of amortization	88,148	--	(988) (3)	87,160
Total capital assets	$ 3,036,372	444,807	(251,144)	3,230,035

(1) Increases and decreases do not include transfers (at net book value) between Austin Water Utility funds.

(2) Components of accumulated depreciation increases:

Current year depreciation	
Water	$ 40,625
Wastewater	53,779
Total increases in accumulated depreciation	$ 94,404

(3) Components of water rights, net of amortization decreases:

Current year amortization - Water	$ 988

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 98,121	714	(3,249)	95,586
Arts and treasures	981	2	--	983
Total	99,102	716	(3,249)	96,569
Depreciable property, plant and equipment in service				
Building and improvements	679,434	19,602	(1,394)	697,642
Plant and equipment	22,942	3,350	(952)	25,340
Vehicles	5,475	2,474	(157)	7,792
Total	707,851	25,426	(2,503)	730,774
Less accumulated depreciation for				
Building and improvements	(195,393)	(18,162)	1,394	(212,161)
Plant and equipment	(12,155)	(1,615)	861	(12,909)
Vehicles	(3,340)	(621)	68	(3,893)
Total	(210,888)	(20,398) (1)	2,323	(228,963)
Net property, plant and equipment in service	496,963	5,028	(180)	501,811
Other capital assets				
Construction in progress	24,458	20,201	(27,590)	17,069
Total capital assets	$ 620,523	25,945	(31,019)	615,449

(1) Components of accumulated depreciation increases:

Current year depreciation	$ 20,398

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 101,818	7,160	(3,031)	105,947
Arts and treasures	612	--	--	612
Total	102,430	7,160	(3,031)	106,559
Depreciable property, plant and equipment in service				
Building and improvements	323,511	4,332	(2,580)	325,263
Plant and equipment	136,317	17,604	(1,232)	152,689
Vehicles	78,617	13,135	(2,823)	88,929
Total	538,445	35,071	(6,635)	566,881
Less accumulated depreciation for				
Building and improvements	(106,622)	(9,528)	11	(116,139)
Plant and equipment	(42,510)	(7,122)	210	(49,422)
Vehicles	(44,786)	(7,961)	2,620	(50,127)
Total	(193,918)	(24,611) (2)	2,841	(215,688)
Net property, plant and equipment in service	344,527	10,460	(3,794)	351,193
Other capital assets				
Construction in progress	55,425	31,737	(39,297)	47,865
Total capital assets	$ 502,382	49,357	(46,122)	505,617

(1) Increases and decreases do not include transfers (at net book value) between nonmajor enterprise funds.

(2) Components of accumulated depreciation increases:

Current year depreciation	
Convention Center	$ 9,028
Environmental and health services	6,855
Public recreation	681
Urban growth management	8,047
Total increases in accumulated depreciation	$ 24,611

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 487,313	21,432	(6,545)	502,200
Arts and treasures	1,593	2	--	1,595
Total	488,906	21,434	(6,545)	503,795
Depreciable property, plant and equipment in service				
Building and improvements	1,576,931	78,350	(14,983)	1,640,298
Plant and equipment	3,140,389	224,328	(20,397)	3,344,320
Vehicles	146,682	19,941	(5,299)	161,324
Electric plant	4,102,736	174,366	(8,797)	4,268,305
Non-electric plant	157,188	16,732	(443)	173,477
Total	9,123,926	513,717	(49,919)	9,587,724
Less accumulated depreciation for				
Building and improvements	(501,159)	(40,774)	10,857	(531,076)
Plant and equipment	(1,044,396)	(87,224)	22,662	(1,108,958)
Vehicles	(87,472)	(14,180)	5,073	(96,579)
Electric plant	(1,945,006)	(133,604)	7,891	(2,070,719)
Non-electric plant	(32,767)	(8,540)	184	(41,123)
Total	(3,610,800)	(284,322) (2)	46,667	(3,848,455)
Net property, plant and equipment in service	5,513,126	229,395	(3,252)	5,739,269
Other capital assets				
Construction in progress	590,970	489,862	(532,427)	548,405
Nuclear fuel, net of amortization	41,499	--	(526)	40,973
Plant held for future use	26,205	--	(3,090)	23,115
Water rights, net of amortization	88,148	--	(988) (3)	87,160
Total capital assets	$6,748,854	740,691	(546,828)	6,942,717

(1) Increases and decreases do not include transfers (at net book value) between business-type activities.

(2) Depreciation expense was charged to functions as follows (in thousands):

Business-type activities:	
Electric	$ 144,909
Water	40,625
Wastewater	53,779
Airport	20,398
Convention Center	9,028
Environmental and health services	6,855
Public recreation	681
Urban growth management	8,047
Total increases in accumulated depreciation	284,322

(3) Components of water rights, net of amortization decreases:

Current year amortization - Water	$ 988

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. Deferred revenue and 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, 2012 (in thousands):

Description	October 1, 2011	Increases	Decreases	September 30, 2012	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 842,708	151,995	(116,892)	877,811	54,816
Certificates of obligation, net	62,426	43,450	(10,450)	95,426	4,219
Contractual obligations, net	32,994	16,284	(4,708)	44,570	4,270
General obligation bonds and other tax supported debt total	938,128	211,729	(132,050)	1,017,807	63,305
Capital lease obligations	433		(274)	159	159
Debt service requirements total	938,561	211,729	(132,324)	1,017,966	63,464
Other long-term obligations					
Accrued compensated absences	116,730	8,147	(528)	124,349	50,754
Claims payable	33,861	15,759	(15,401)	34,219	16,546
Pension obligation payable	62,447	6,207	--	68,654	--
Other post employment benefits	234,018	67,092	--	301,110	--
Deferred credits and other liabilities	79,263	4,867	(7,371)	76,759	68,869
Governmental activities total	1,464,880	313,801	(155,624)	1,623,057	199,633
Total business-type activities					
General obligation bonds, net	25,398	14,246	(4,983)	34,661	2,944
Certificates of obligation, net	40,903	8,843	(15,290)	34,456	2,521
Contractual obligations, net	54,854	10,688	(13,244)	52,298	12,958
Other tax supported debt, net	11,274	--	(669)	10,605	690
General obligation bonds and other tax supported debt total	132,429	33,777	(34,186)	132,020	19,113
Commercial paper notes, net	359,792	310,257	(365,023)	305,026	--
Revenue notes	28,000	--	(28,000)	--	--
Revenue bonds, net	3,694,277	675,558	(425,040)	3,944,795	205,277
Capital lease obligations	1,258	-	(40)	1,218	42
Debt service requirements total	4,215,756	1,019,592	(852,289)	4,383,059	224,432
Other long-term obligations					
Accrued compensated absences	23,857	801	(1,400)	23,258	22,829
Accrued landfill closure and postclosure costs	7,509	6,205	(1,681)	12,033	1,119
Decommissioning expense payable	166,556	5,052	--	171,608	--
Pension obligation payable	61,245	6,356	--	67,601	--
Other post employment benefits	149,174	42,767	--	191,941	--
Deferred credits and other liabilities	778,097	25,293	(11,077)	792,313	88,463
Business-type activities total	5,402,194	1,106,066	(866,447)	5,641,813	336,843
Total liabilities (1)	$ 6,867,074	1,419,867	(1,022,071)	7,264,870	536,476

(1) This schedule excludes select short-term liabilities of $73,391 for governmental activities; and for business-type activities select short-term liabilities of $200,529, capital appreciation bond interest payable of $101,929, and derivative instruments of $178,987.

6 – DEBT AND NON-DEBT LIABILITIES, continued

a -- Long-Term Liabilities, continued

Description	October 1, 2011	Increases	Decreases	September 30, 2012	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 1,030	--	(88)	942	125
General obligation bonds and other tax supported debt total	1,030	--	(88)	942	125
Commercial paper notes, net	152,582	72,697	(23)	225,256	--
Revenue bonds, net	1,256,096	--	(70,410)	1,185,686	105,091
Capital lease obligations	1,258	--	(40)	1,218	42
Debt service requirements total	1,410,966	72,697	(70,561)	1,413,102	105,258
Other long-term obligations					
Accrued compensated absences	11,303	23	(867)	10,459	10,385
Decommissioning expense payable	166,556	5,052	--	171,608	--
Pension obligation payable	27,737	2,878	--	30,615	--
Other post employment benefits	62,236	17,843	--	80,079	--
Deferred credits and other liabilities	262,816	18,051	(4,929)	275,938	39,022
Electric activities total	1,941,614	116,544	(76,357)	1,981,801	154,665
Water and Wastewater activities					
General obligation bonds, net	5,974	1,404	(2,563)	4,815	1,190
Contractual obligations, net	10,750	1,983	(3,362)	9,371	3,114
Other tax supported debt, net	7,218	--	(428)	6,790	442
General obligation bonds and other tax supported debt total	23,942	3,387	(6,353)	20,976	4,746
Commercial paper notes, net	207,210	237,560	(365,000)	79,770	--
Revenue bonds, net	1,953,688	654,076	(312,683)	2,295,081	75,186
Debt service requirements total	2,184,840	895,023	(684,036)	2,395,827	79,932
Other long-term obligations					
Accrued compensated absences	5,490	265	(368)	5,387	5,387
Pension obligation payable	13,765	1,378	--	15,143	--
Other post employment benefits	37,386	10,718	--	48,104	--
Deferred credits and other liabilities	496,979	6,947	(5,240)	498,686	38,609
Water and Wastewater activities total	2,738,460	914,331	(689,644)	2,963,147	123,928
Airport activities					
General obligation bonds, net	232	53	(86)	199	38
General obligation bonds and other tax supported debt total	232	53	(86)	199	38
Revenue notes	28,000	--	(28,000)	--	--
Revenue bonds, net	282,603	--	(13,319)	269,284	14,795
Debt service requirements total	310,835	53	(41,405)	269,483	14,833
Other long-term obligations					
Accrued compensated absences	1,604	113	--	1,717	1,471
Pension obligation payable	4,154	426	--	4,580	--
Other post employment benefits	10,763	3,085	--	13,848	--
Deferred credits and other liabilities	1,089	--	(116)	973	917
Airport activities total	328,445	3,677	(41,521)	290,601	17,221
Nonmajor activities					
General obligation bonds, net	18,162	12,789	(2,246)	28,705	1,591
Certificates of obligation, net	40,903	8,843	(15,290)	34,456	2,521
Contractual obligations	44,104	8,705	(9,882)	42,927	9,844
Other tax supported debt, net	4,056	--	(241)	3,815	248
General obligation bonds and other tax supported debt total	107,225	30,337	(27,659)	109,903	14,204
Revenue bonds, net	201,890	21,482	(28,628)	194,744	10,205
Debt service requirements total	309,115	51,819	(56,287)	304,647	24,409
Other long-term obligations					
Accrued compensated absences	5,460	400	(165)	5,695	5,586
Accrued landfill closure and postclosure costs	7,509	6,205	(1,681)	12,033	1,119
Pension obligation payable	15,589	1,674	--	17,263	--
Other post employment benefits	38,789	11,121	--	49,910	--
Deferred credits and other liabilities	17,213	295	(792)	16,716	9,915
Nonmajor activities total	$ 393,675	71,514	(58,925)	406,264	41,029

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, 2012, 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	1,655	308	(1)(3)	3.65 - 4.30%	9/01/2013-2020
NW Austin MUD	2006	7,995	7,170	3,622	(1)(3)	3.90 - 4.25%	9/01/2013-2026
NW Austin MUD	2010	2,760	1,780	189	(1)(3)	4.00 - 4.25%	3/01/2013-2018
Series 2002 Refunding	2002	12,190	1,320	27	(1)	4.13%	3/1/2013
Series 2002	2002	99,615	5,200	202	(1)	3.88%	9/1/2013
Series 2002	2002	34,095	1,675	67	(1)	4.00%	9/1/2013
Series 2003 Refunding	2003	62,585	2,580	129	(1)	5.00%	9/1/2013
Series 2003 Refunding	2003	68,855	6,825	420	(1)	4.00%	9/1/2013-2014
Series 2003A Refunding	2003	2,530	350	18	(1)	5.00%	9/1/2013
Series 2003	2003	4,450	430	26	(1)	4.00 - 4.10%	9/1/2013-2014
Series 2004 Refunding	2004	67,835	46,020	13,714	(1)	4.00 - 4.55%	9/1/2013-2024
Series 2004A Refunding	2004	2,430	785	61	(1)	4.75%	9/1/2013-2014
Series 2004	2004	25,000	6,710	1,659	(1)	4.63 - 5.00%	9/1/2013-2024
Series 2005 Refunding	2005	145,345	119,015	24,498	(1)	5.00%	9/1/2013-2020
Series 2005 Refunding	2005	19,535	14,040	5,676	(1)	4.00 - 4.50%	9/1/2013-2025
Series 2005	2005	7,185	5,445	1,737	(1)	3.50 - 4.30%	9/1/2013-2025
Series 2005	2005	14,940	1,155	22	(2)	3.75%	11/1/2012
Series 2006	2006	31,585	31,185	13,909	(1)	4.00 - 5.38%	9/1/2013-2026
Series 2006	2006	24,150	19,185	6,863	(1)	4.00 - 5.00%	9/1/2013-2026
Series 2006	2006	14,120	3,410	144	(2)	4.00 - 4.25%	11/1/2012-2013
Series 2006	2006	12,000	10,080	3,719	(1)(4)	4.13 - 6.00%	9/1/2013-2026
Series 2007	2008	97,525	93,225	50,136	(1)	4.64%	9/1/20123-2027
Series 2007	2008	3,820	3,185	1,386	(1)	4.88%	9/1/2013-2027
Series 2007	2008	9,755	4,690	402	(2)	3.66%	11/1/2012-2017
Series 2008 Refunding	2008	172,505	107,675	24,175	(1)	5.00%	9/1/2013-2021
Series 2008	2009	76,045	61,155	34,336	(1)	3.50 - 5.00%	9/1/2013-2028
Series 2008	2009	10,700	9,370	4,061	(1)	3.25 - 5.00%	9/1/2013-2028
Series 2008	2009	26,715	14,440	1,017	(2)	3.25 - 3.50%	11/1/2012-2015
Series 2009A	2009	20,905	8,470	1,068	(1)	3.00 - 5.00%	9/1/2013-2016
Series 2009B	2009	78,460	78,460	44,849	(1)	4.15 - 5.31%	9/1/2017-2029
Series 2009	2009	12,500	10,695	5,910	(1)	3.00 - 4.75%	9/1/2013-2039
Series 2009	2009	13,800	9,970	952	(2)	2.00 - 3.25%	11/1/2012-2019
Series 2009	2010	15,000	13,783	5,557	(1)(4)	3.50 - 4.25%	9/1/2013-2029
Series 2010A	2011	79,528	69,240	32,269	(1)	2.00 - 4.00%	9/1/2013-2030
Series 2010B	2011	26,400	25,760	14,065	(1)	3.50 - 4.65%	9/1/2013-2030
Series 2010	2011	22,300	20,915	7,001	(1)	2.00 - 3.50%	9/1/2013-2030
Series 2010	2011	16,450	13,365	576	(2)	1.00 - 1.75%	11/1/2012-2017
Series 2010 Refunding	2011	91,560	90,930	32,353	(1)	4.00 - 5.00%	9/1/2013-2023
Series 2011A	2012	78,090	69,690	39,243	(1)	2.00-4.00%	9/1/2013-2031
Series 2011B	2012	8,450	8,450	4,418	(1)	2.50-4.50%	9/1/2014-2031
Series 2011	2012	51,150	50,665	33,690	(1)	3.00-5.00%	9/1/2013-2041
Series 2011	2012	26,725	25,190	1,564	(2)	.05-2.00%	11/1/12-2018
Series 2011A Refunding	2012	68,285	53,050	12,034	(1)	4.00-5.25%	9/1/2013-2023
Series 2011B Refunding	2012	3,000	2,380	77	(1)	.81-1.86%	9/1/2013-2016
			$ 1,130,768				

(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 $6,790 and interest of $2,636 and Drainage Fund principal of $3,815 and interest of $1,483.
(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 2011, the City issued $78,090,000 of Public Improvement Bonds, Series 2011A. The proceeds from the issue will be used as follows: streets and signals ($29,605,000), watershed protection improvements ($21,490,000), parks and recreation ($2,745,000), cultural arts ($10,500,000), central library ($4,000,000), and facility improvements ($9,750,000). These bonds will be amortized serially on September 1 of each year from 2012 to 2031. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2012. Total interest requirements for these bonds, at rates ranging from 2.0% to 4.0%, are $42,099,100.

In October 2011, the City issued $8,450,000 of Public Improvements Bonds, Taxable Series 2011B. The proceeds from the issue will be used for affordable housing. These bonds will be amortized serially on September 1 of each year from 2014 to 2031. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2012. Total interest requirements for these bonds, at rates ranging from 2.5% to 4.5%, are $4,747,410.

In October 2011, the City issued $51,150,000 of Certificates of Obligation, Series 2011. The proceeds from this issue will be used as follows: Solid Waste Environmental Remediation ($8,650,000), Transportation Projects ($7,500,000), and Waller Creek Project ($35,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2012 to 2041. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2012. Total interest requirements for these obligations, at rates ranging from 3.0% to 5.0%, are $35,660,738.

In October 2011, the City issued $26,725,000 of Public Property Finance Contractual Obligations, Series 2011. The proceeds from this issue will be used as follows: water utility capital equipment ($315,000), wastewater utility capital equipment ($1,650,000), public safety radio replacements ($7,500,000), police vehicles and equipment ($8,635,000), public works capital equipment ($3,003,000), and solid waste services capital equipment ($5,622,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2012 to 2018. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2012. Total interest requirements for these obligations, at rates ranging from 0.05% to 2.0%, are $1,793,440.

Public Improvement Refunding Bond Issue - In November 2011, the City issued $68,285,000 of Public Improvement Refunding Bonds, Series 2011A. The net proceeds of $75,164,595 (after issue costs, discounts, and premiums) from the refunding were used to refund $4,375,000 of Public Improvement Bonds, Series 2001; $14,420,000 of Public Improvement Refunding Bonds, Series 2001; $5,045,000 of Certificates of Obligation, Series 2001; $5,500,000 of Public Improvement Bonds, Series 2002; $1,775,000 of Certificates of Obligation, Series 2002; $5,950,000 Public Improvement Refunding Bonds, Series 2002; $12,485,000 of Public Improvement and Refunding Bonds, Series 2003; $2,515,000 of Certificates of Obligation, Series 2003; $9,590,000 of Certificates of Obligation, Series 2004; $4,980,000 of Public Improvement and Refunding Bonds, Series 2004; $2,780,000 of HUD 108 Loan, Series 2002A; $785,000 of HUD 108 Loan, Series 2003A; $655,000 of HUD 108 Loan, Series 2006A. The refunding resulted in future interest requirements to service the debt of $14,428,816 with interest rates ranging from 2.0% to 5.0%. An economic gain of $4,953,123 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $5,572,626. An accounting loss of $3,504,769, which will be deferred and amortized, was recorded on this refunding.

In November 2011, the City issued $3,000,000 of Public Improvement Refunding Bonds, Taxable Series 2011B. The net proceeds of $2,975,379 (after issue costs, discounts, and premiums) from the refunding were used to refund $2,865,000 of HUD 108 Loan, Series 2010A. The refunding resulted in future interest requirements to service the debt of $107,077 with interest rates ranging from 0.44% to 1.86% An economic loss of $72,356 was recorded on this transaction. The change in net cash flows that resulted from the refunding was an increase of $82,456. An accounting loss of $110,379, which will be deferred and amortized, was recorded on this refunding.

General obligation bonds authorized and unissued amounted to $266,712,000 at September 30, 2012. Bond ratings at September 30, 2012, were Aaa (Moody's Investor Services, 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.

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

Combined Utility Systems Debt -- General - Austin Energy and Austin Water Utility comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility.

The total combined utility systems revenue bond obligations at September 30, 2012, exclusive of discounts, premiums, and loss on refundings consists of $70,679,944 prior lien bonds and $168,274,512 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $239,124,243 at September 30, 2012. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2012, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody’s Investor Services, 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 Fund. The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

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

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds 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 original and refunding revenue bonds outstanding at September 30, 2012 (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	3,668	20,502	(1)(3)	7.35%	11/15/2014-2017
1992 Refunding	1992	265,806	6,763	20,252	(1)(3)	6.85%	11/15/2012
1993 Refunding	1993	203,166	13,765	767	(1)(3)	6.30%	11/15/2012-2013
1994 Refunding	1995	142,559	26,894	96,961	(1)(3)	6.60%	05/15/2017-2019
1998 Refunding	1998	180,000	19,590	661	(1)(2)	6.75%	11/15/2012
1998 Refunding	1999	139,965	133,250	60,962	(1)	5.25%	5/15/2013-2025
1998A Refunding	1999	105,350	34,400	39,008	(1)(3)	4.25%-5.00%	5/15/2013-2028
1998B	1999	10,000	624	11	(1)	3.50%	11/15/2012
			$ 238,954				

(1) Interest is paid semiannually on May 15 and November 15.
(2) Series 1998 Refunding had a delayed delivery.
(3) Interest requirements include accreted interest

Combined Utility Systems Debt -- Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $350,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City’s electric system and the City’s water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2012, were P-2 (Moody’s Investor Services, 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, 2012, Austin Energy had outstanding commercial paper notes of $181,555,000 and Austin Water Utility had $79,770,000 of commercial paper notes outstanding. Interest rates on the notes range from 0.17% to 0.22%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Credit Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
various	JPMorgan Chase Bank, NA	0.85%	0.90%	Goldman Sachs	0.075%	$ 106,963	10/1/2014
various	Bank of America	0.85%	0.90%	Goldman Sachs	0.075%	67,114	10/1/2014
various	State Street	0.85%	0.90%	Goldman Sachs	0.075%	87,248	10/1/2014
						$ 261,325	

These notes 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 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, 2012, were P-1 (Moody's Investor Services, 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, 2012, the Austin Energy Fund had outstanding taxable notes of $43,723,000 (net of discount of $22,280), and the Austin Water Utility had no taxable notes outstanding. Interest rates on the taxable notes range from 0.24% to 0.29%. 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	JPMorgan Chase Bank, NA	0.85%	Goldman Sachs	0.075%	$ 43,723	10/1/2014

These taxable notes 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 notes, the notes will be purchased by JPMorgan Chase Bank, 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 JPMorgan Chase Bank, 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. No 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, 2012, were A1 (Moody's Investor Services, Inc.), A+ (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 -- Bonds Issued and Outstanding - The following table summarizes all electric system original and refunding revenue bonds outstanding at September 30, 2012 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2002 Refunding	2002	$ 74,750	42,830	2,873 (1)	5.50%	11/15/2012-2014
2002A Refunding	2002	172,880	90,760	11,390 (1)	5.50%	11/15/2012-2016
2003 Refunding	2003	182,100	133,600	65,223 (1)	5.00 - 5.25%	11/15/2012-2028
2006 Refunding	2006	150,000	137,600	96,580 (1)	5.00%	11/15/2012-2035
2006A Refunding	2007	137,800	94,800	24,685 (1)	5.00%	11/15/2012-2022
2007 Refunding	2007	146,635	122,320	19,492 (1)	5.00%	11/15/2012-2020
2008 Refunding	2008	50,000	46,635	36,349 (1)	4.00 - 6.26%	11/15/2012-2032
2008A Refunding	2008	175,000	174,600	159,313 (1)	4.00 - 6.00%	11/15/2012-2038
2010A Refunding	2010	119,255	119,255	77,913 (1)	2.00 - 5.00%	11/15/2012-2040
2010B Refunding	2010	100,990	100,990	109,641 (1)	4.54 - 5.72%	11/15/2019-2040
			$ 1,063,390			

(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, 2012 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,190,798	875,675	315,123	168,731	186.8%

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation.
(3) Excludes other post employment benefits and pension obligation accruals.

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.

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues – In December 2011, the City issued $237,530,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2011. The net proceeds from the bond refunding were used to refund $175,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system; $52,345,000 of subordinate lien revenue refunding bonds, series 1998A; $3,545,000 of subordinate lien revenue bonds, series 1998B; $8,830,000 of water & wastewater system revenue refunding bonds, series 2001A; and $7,885,000 of water & wastewater system revenue refunding bonds, series 2001B. The debt service requirements on the refunding bonds are $449,868,159, with interest rates ranging from 2.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2012 to 2041. Principal payments are due November 15 of each year from 2014 to 2041. An economic gain of $4,040,325 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $5,988,362. An accounting loss of $2,614,243, which will be deferred and amortized, was recorded on this refunding.

In July 2012, the City issued $336,820,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2012. The net proceeds from the bond refunding were used to refund $190,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system, $68,000,000 of separate lien revenue refunding bonds, series 2003, and $107,640,000 of separate lien revenue bonds, series 2004. The debt service requirements on the refunding bonds are $579,523,562, with interest rates ranging from 1.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2012 to 2042. Principal payments are due November 15 of each year from 2013 to 2042. An economic gain of $4,495,215 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $4,117,014. An accounting loss of $22,645,338, 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

In 2012, the City converted an additional $6,775,000 of initial bonds to definitive Water and Wastewater System Revenue Bonds, Series 2010. With these issuances, the outstanding commitment with the Texas Water Development Board (TWDB) is now $30,365,000. See Note 13.

Water and Wastewater System Revenue Debt – Special Assessment Revenue Bond Issues – In November 2011, the City issued $18,485,168 of Special Assessment Revenue Bonds, Subordinate Series 2011 related to the Whisper Valley Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-055 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Whisper Valley Public Improvement District; payment of a portion of the costs incidental to the organization of the District; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from pledged revenues and any other funds, including certain Austin Water Utility funds, held under the indenture, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. These bonds will be amortized serially on December 1 of 2015 and 2016. Interest is payable on December 1 of 2015 and 2016. Total interest requirements for these bonds, at rates ranging from 2.5% to 2.8%, are $2,534,832.

In November 2011, the City issued $2,332,350 of Special Assessment Revenue Bonds, Subordinate Series 2011 related to the Indian Hills Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-053 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Indian Hills Public Improvement District; payment of a portion of the costs incidental to the organization of the District; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from pledged revenues and any other funds, including certain Austin Water Utility funds, held under the indenture, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. These bonds will be amortized serially on December 1 of each year of 2015 and 2016. Interest is payable on December 1 of 2015 and 2016. Total interest requirements for these bonds, at rates ranging from 2.5% to 2.8%, are $297,650.

Bond ratings at September 30, 2012, were Aa2 (Moody's Investor Services, Inc.), AA (Standard & Poor's), and AA- (Fitch).

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, 2012 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2001A Refunding	2001	$ 152,180	211	5	(1)	4.70%	11/15/2012
2001C Refunding	2002	95,380	12,680	887	(1)	4.40 - 5.38%	11/15/2012-2015 (3)
2002A Refunding	2002	139,695	71,410	10,530	(1)	5.50%	11/15/2012-2016
2003 Refunding	2003	121,500	4,000	80	(1)	4.00%	11/15/2012
2004A Refunding	2005	165,145	143,120	73,682	(1)	5.00%	11/15/2012-2029
2005 Refunding	2005	198,485	192,060	77,048	(1)	4.00 - 5.00%	5/15/2013-2030
2005A Refunding	2006	142,335	121,165	80,718	(1)	4.30 - 5.00%	5/15/2013-2035
2006 Refunding	2006	63,100	49,240	17,870	(1)	5.00%	11/15/2012-2025
2006A Refunding	2007	135,000	125,840	82,748	(1)	3.50 - 5.00%	11/15/2012-2036
2007 Refunding	2008	135,000	128,010	99,253	(1)	4.00 - 5.25%	11/15/2012-2037
2008 Refunding	2008	170,605	154,360	57,048	(2)	0.04 - 0.30%	11/15/2012-2031 (3)
2009 Refunding	2009	175,000	169,025	85,791	(1)	3.00 - 5.13%	11/15/2012-2029
2009A Refunding	2010	166,575	163,245	131,071	(1)	4.00 - 5.00%	11/15/2012-2039
2010	2010	30,365	30,365	--	(4)	0.00%	11/15/2012-2040
2010A Refunding	2011	76,855	76,855	70,423	(1)	4.00 - 5.13%	11/15/2013-2040
2010B Refunding	2011	100,970	100,970	104,081	(1)	2.49 - 6.02%	11/15/2015-2040
2011 Refunding	2012	237,530	237,530	206,295	(1)	2.00 - 5.00%	11/15/2014-2041
2011 Revenue	2012	18,485	18,485	2,535	(5)	2.50 - 2.80%	12/01/2015-2016
2011 Revenue	2012	2,332	2,332	298	(5)	2.50 - 2.80%	12/01/2015-2016
2012 Refunding	2012	336,820	336,820	242,703	(1)	1.00 - 5.00%	11/15/2013-2042
			$ 2,137,723				

(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 in effect at the end of the fiscal year.
(3) Series matures on May 15th of the final year.
(4) Zero interest bond placed w ith TWDB.
(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	Sumitoma Mitsui Banking Corp./The Bank of Tokyo-Mitsubishi UFJ, Ltd	0.85%	Goldman Sachs	0.050%	$ 154,360	5/8/2015

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, 2012 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 443,028	178,891	264,137	178,167	148.3%

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation.
(3) Excludes other post employment benefits and pension obligation accruals.

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, 2012, the total airport system obligation for prior lien bonds is $280,850,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $85,612,862 at September 30, 2012. Revenue bonds authorized and unissued amount to $735,795,000.

The bond rating at September 30, 2012, for the prior lien bonds is A (Standard & Poor's).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2012 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2003 Refunding	2004	$ 54,250	44,550	9,700 (1)	4.00 - 5.25%	11/15/2012-2018
2008 Remarketing	2008	281,300	236,300	75,913 (2)	0.08% - 0.82%	11/15/2012-2025
			$ 280,850			

(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 in effect at the end of the fiscal year.

The Series 2008 remarketing bonds are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of $236,300,000. The associated letter of credit agreements have the following terms (in thousands):

		Variable Rate Demand Bonds				
Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2005-1	JPMorgan Chase Bank, NA	1.35%	Morgan Stanley	0.10%	$ 59,075	6/21/2014
2005-2	JPMorgan Chase Bank, NA	1.35%	Morgan Stanley	0.10%	59,025	6/21/2014
2005-3	State Street Bank and Trust	1.00%	Morgan Stanley	0.10%	59,100	6/21/2014
2005-4	Royal Bank of Canada	1.35%	Morgan Stanley	0.10%	59,100	6/21/2014
					$ 236,300	

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 provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series. 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.

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, 2012 (in thousands):

Gross Revenue (1)	Other available funds (2)(6)	Operating Expense (3)(4)	Net Revenue and Other Available Funds	Debt Service Requirement (5)	Revenue Bond Coverage
$ 96,344	35,483	65,689	66,138	42,375	156.1%

(1) Gross revenue includes revenues from operations and interest income.
(2) Pursuant to bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage.
(3) Excludes depreciation.
(4) Excludes other post employment benefits and pension obligation accruals.
(5) Excludes debt service amounts paid w ith passenger facility charge revenues.
(6) Includes transfer from capital fund to debt service fund to pay off variable rate note.

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

Nonmajor fund:

Convention Center—Prior and Subordinate Lien Revenue Refunding Bonds
In March 2012, the City issued $20,185,000 of Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2012. The net proceeds of $22,422,882 (after issue costs, discounts, and premiums) from the refunding were used to refund $20,175,000 of the City's outstanding Waller Creek Venue Project, Series 1999A. The debt service requirements on the refunding bonds are $30,314,439 with interest rates ranging from 2.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2012 to 2029. Principal payments are due November 15 of each year from 2012 to 2029. An economic gain of $1,337,876 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $ 1,421,296. An accounting loss of $992,605, which will be deferred and amortized, was recorded on this refunding.

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, 2012, the total convention center obligation for prior and subordinate lien bonds is $206,030,000, exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $71,256,058 at September 30, 2012. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2012.

Bond ratings at September 30, 2012, for the revenue bonds were A1 (Moody's Investor Services, Inc.), and A (Standard & Poor's).

The following table summarizes Convention Center original and refunding revenue bonds outstanding at September 30, 2012 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2004 Refunding	2004	$ 52,715	36,745	7,830 (1)	5.00%	11/15/2012-2019
2005 Refunding	2005	36,720	36,140	18,287 (1)	3.50 - 5.00%	11/15/2012-2029
2008AB Refunding	2008	125,280	112,960	35,009 (2)	0.05% - .35%	11/15/2012-2029
2012 Refunding	2012	20,185	20,185	10,129 (1)	2.00 - 5.00%	11/15/2012-2029
			$ 206,030			

(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 in effect at the end of the fiscal year.

The Series 2008 A and B refunding bonds are variable rate demand bonds. The associated letter of credit agreements have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	JPMorgan Chase Bank, NA	1.10%	Morgan Keegan	0.060%	$ 56,480	7/25/2014
2008-B	Bank of America, NA	1.10%	Merrill Lynch, Pierce, Fenner& Smith Inc.	0.050%	56,480	7/25/2014
					$ 112,960	

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 provider 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.

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

Governmental Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 54,816	38,834	4,219	3,711	4,270	1,377
2014	52,444	36,432	3,710	3,559	4,350	1,304
2015	52,496	34,032	3,473	3,436	4,958	1,192
2016	48,675	31,645	3,652	3,300	4,613	1,053
2017	55,311	29,355	3,807	3,158	4,235	938
2018-2022	274,518	107,276	21,817	13,582	11,490	3,250
2023-2027	221,140	52,484	24,602	8,950	8,170	1,459
2028-2032	102,765	8,537	12,348	4,767	2,145	138
2033-2037	--	--	8,370	2,850	--	--
2038-2042	--	--	8,329	907	--	--
	862,165	338,595	94,327	48,220	44,231	10,711
Less: Unamortized bond discounts	(637)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(19,373)	--	--	--	--	--
Add: Unamortized bond premiums	35,656	--	1,099	--	339	--
Net debt service requirements	877,811	338,595	95,426	48,220	44,570	10,711

Fiscal Year Ended September 30	Capital Lease Obligations		Total Governmental Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2013	159	3	63,464	43,925	107,389
2014	--	--	60,504	41,295	101,799
2015	--	--	60,927	38,660	99,587
2016	--	--	56,940	35,998	92,938
2017	--	--	63,353	33,451	96,804
2018-2022	--	--	307,825	124,108	431,933
2023-2027	--	--	253,912	62,893	316,805
2028-2032	--	--	117,258	13,442	130,700
2033-2037	--	--	8,370	2,850	11,220
2038-2042	--	--	8,329	907	9,236
	159	3	1,000,882	397,529	1,398,411
Less: Unamortized bond discounts	--	--	(637)	--	(637)
Unamortized gain(loss) on bond refundings	--	--	(19,373)	--	(19,373)
Add: Unamortized bond premiums	--	--	37,094	--	37,094
Net debt service requirements	$ 159	3	1,017,966	397,529	1,415,495

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

Austin Energy Business-Type Activities (in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds Principal	Revenue Bonds Interest
2013	$ 125	45	225,279	21	105,091	69,013
2014	131	39	--	--	123,006	53,913
2015	139	33	--	--	79,754	50,964
2016	112	26	--	--	52,996	47,779
2017	121	20	--	--	50,808	44,967
2018-2022	281	25	--	--	211,409	180,673
2023-2027	--	--	--	--	216,698	120,761
2028-2032	--	--	--	--	176,460	67,871
2033-2037	--	--	--	--	121,400	29,868
2038-2042	--	--	--	--	55,390	4,796
	909	188	225,279	21	1,193,012	670,605
Less: Unamortized bond discount	(2)	--	(23)	--	(1,464)	--
Unamortized gain(loss) on bond refundings	--	--	--	--	(34,625)	--
Add: Unamortized bond premium	35	--	--	--	28,763	--
Net debt service requirements	942	188	225,256	21	1,185,686	670,605

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Austin Energy Debt Service Requirements Principal	Total Austin Energy Debt Service Requirements Interest	Total Austin Energy Debt Service Requirements Total
2013	42	74	330,537	69,153	399,690
2014	44	72	123,181	54,024	177,205
2015	47	69	79,940	51,066	131,006
2016	49	67	53,157	47,872	101,029
2017	52	64	50,981	45,051	96,032
2018-2022	300	280	211,990	180,978	392,968
2023-2027	385	195	217,083	120,956	338,039
2028-2032	299	68	176,759	67,939	244,698
2033-2037	--	--	121,400	29,868	151,268
2038-2042	--	--	55,390	4,796	60,186
	1,218	889	1,420,418	671,703	2,092,121
Less: Unamortized bond discounts	--	--	(1,489)	--	(1,489)
Unamortized gain(loss) on bond refundings	--	--	(34,625)	--	(34,625)
Add: Unamortized bond premiums	--	--	28,798	--	28,798
Net debt service requirements	$ 1,218	889	1,413,102	671,703	2,084,805

(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

Austin Water Utility Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Contractual Obligations Principal	Contractual Obligations Interest	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest
2013	$ 1,190	269	3,114	224	442	273
2014	975	214	2,410	130	461	256
2015	1,009	174	1,326	73	476	238
2016	1,022	133	1,020	46	509	218
2017	852	82	805	23	345	300
2018-2022	814	58	603	11	2,204	1,099
2023-2027	--	--	--	--	2,353	252
	5,862	930	9,278	507	6,790	2,636
Less: Unamortized bond discounts	(2)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(1,606)	--	--	--	--	--
Add: Unamortized bond premiums	561	--	93	--	--	--
Net debt service requirements	4,815	930	9,371	507	6,790	2,636

Fiscal Year Ended September 30	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds (2) (3) Principal	Revenue Bonds (2) (3) Interest	Total Austin Water Utility Debt Service Requirements Principal	Total Austin Water Utility Debt Service Requirements Interest	Total Austin Water Utility Debt Service Requirements Total
2013	79,770	2	75,186	112,679	159,702	113,447	273,149
2014	--	--	103,584	100,274	107,430	100,874	208,304
2015	--	--	97,402	104,783	100,213	105,268	205,481
2016	--	--	98,984	95,527	101,535	95,924	197,459
2017	--	--	115,581	120,111	117,583	120,516	238,099
2018-2022	--	--	418,403	453,971	422,024	455,139	877,163
2023-2027	--	--	487,643	264,433	489,996	264,685	754,681
2028-2032	--	--	390,889	154,090	390,889	154,090	544,979
2033-2037	--	--	254,370	84,968	254,370	84,968	339,338
2038-2042	--	--	193,611	23,923	193,611	23,923	217,534
2043-2047	--	--	11,400	285	11,400	285	11,685
	79,770	2	2,247,053	1,515,044	2,348,753	1,519,119	3,867,872
Less: Unamortized bond discounts	--	--	(4,052)	--	(4,054)	--	(4,054)
Unamortized gain(loss) on bond refundings	--	--	(59,142)	--	(60,748)	--	(60,748)
Add: Unamortized bond premiums	--	--	111,222	--	111,876	--	111,876
Net debt service requirements	$ 79,770	2	2,295,081	1,515,044	2,395,827	1,519,119	3,914,946

(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 0.04% to 0.30%.
(3) Portions of these bonds are Special Assessment Revenue Bonds.

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

Airport Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest
2013	$ 38	9	14,795	11,466
2014	26	8	15,610	10,699
2015	28	6	16,345	10,042
2016	22	5	17,105	9,357
2017	23	4	18,865	8,699
2018-2022	54	5	105,105	28,724
2023-2027	--	--	93,025	6,626
2028-2032	--	--	--	--
	191	37	280,850	85,613
Less: Unamortized bond discounts	--	--	(647)	--
Unamortized gain(loss) on bond refundings	(2)	--	(12,248)	--
Add: Unamortized bond premiums	10	--	1,329	--
Net debt service requirements	199	37	269,284	85,613

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2013	14,833	11,475	26,308
2014	15,636	10,707	26,343
2015	16,373	10,048	26,421
2016	17,127	9,362	26,489
2017	18,888	8,703	27,591
2018-2022	105,159	28,729	133,888
2023-2027	93,025	6,626	99,651
	281,041	85,650	366,691
Less: Unamortized bond discounts	(647)	--	(647)
Unamortized gain(loss) on bond refundings	(12,250)	--	(12,250)
Add: Unamortized bond premiums	1,339	--	1,339
Net debt service requirements	$ 269,483	85,650	355,133

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.08% to .82%.

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

Nonmajor Business-Type Activities (in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2013	$ 1,591	1,261	2,521	1,287	9,844	940
2014	2,359	1,183	2,205	1,187	8,775	704
2015	1,994	1,074	2,117	1,099	8,180	500
2016	2,004	983	2,228	1,015	6,667	299
2017	2,377	884	1,014	926	4,486	172
2018-2022	14,703	2,459	5,868	4,184	4,622	121
2023-2027	1,650	83	9,348	2,866	--	--
2028-2032	--	--	6,342	1,156	--	--
2033-2037	--	--	1,560	406	--	--
2038-2042	--	--	745	53	--	--
	26,678	7,927	33,948	14,179	42,574	2,736
Less: Unamortized bond discounts	(28)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(440)	--	--	--	--	--
Add: Unamortized bond premiums	2,495	--	508	--	353	--
Net debt service requirements	28,705	7,927	34,456	14,179	42,927	2,736

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Nonmajor Debt Service Requirements Principal	Total Nonmajor Debt Service Requirements Interest	Total Nonmajor Debt Service Requirements Total
2013	248	154	10,205	7,977	24,409	11,619	36,028
2014	259	144	10,750	7,455	24,348	10,673	35,021
2015	268	133	11,175	7,015	23,734	9,821	33,555
2016	286	123	12,085	6,542	23,270	8,962	32,232
2017	194	169	12,555	6,042	20,626	8,193	28,819
2018-2022	1,238	618	59,340	22,400	85,771	29,782	115,553
2023-2027	1,322	142	52,870	11,948	65,190	15,039	80,229
2028-2032	--	--	37,050	1,877	43,392	3,033	46,425
2033-2037	--	--	--	--	1,560	406	1,966
2038-2042	--	--	--	--	745	53	798
	3,815	1,483	206,030	71,256	313,045	97,581	410,626
Less: Unamortized bond discounts	--	--	(318)	--	(346)	--	(346)
Unamortized gain(loss) on bond refundings	--	--	(15,617)	--	(16,057)	--	(16,057)
Add: Unamortized bond premiums	--	--	4,649	--	8,005	--	8,005
Net debt service requirements	$ 3,815	1,483	194,744	71,256	304,647	97,581	402,228

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.05 to .35%.

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

Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 2,944	1,584	2,521	1,287	12,958	1,164
2014	3,491	1,444	2,205	1,187	11,185	834
2015	3,170	1,287	2,117	1,099	9,506	573
2016	3,160	1,147	2,228	1,015	7,687	345
2017	3,373	990	1,014	926	5,291	195
2018-2022	15,852	2,547	5,868	4,184	5,225	132
2023-2027	1,650	83	9,348	2,866	--	--
2028-2032	--	--	6,342	1,156	--	--
2033-2037	--	--	1,560	406	--	--
2038-2042	--	--	745	53	--	--
	33,640	9,082	33,948	14,179	51,852	3,243
Less: Unamortized bond discounts	(32)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(2,048)	--	--	--	--	--
Add: Unamortized bond premiums	3,101	--	508	--	446	--
Net debt service requirements	34,661	9,082	34,456	14,179	52,298	3,243

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)(3)	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	690	427	305,049	23	205,277	201,135
2014	720	400	--	--	252,950	172,341
2015	744	371	--	--	204,676	172,804
2016	795	341	--	--	181,170	159,205
2017	539	469	--	--	197,809	179,819
2018-2022	3,442	1,717	--	--	794,257	685,768
2023-2027	3,675	394	--	--	850,236	403,768
2028-2032	--	--	--	--	604,399	223,838
2033-2037	--	--	--	--	375,770	114,836
2038-2042	--	--	--	--	249,001	28,719
2043-2047	--	--	--	--	11,400	285
	10,605	4,119	305,049	23	3,926,945	2,342,518
Less: Unamortized bond discounts	--	--	(23)	--	(6,481)	--
Unamortized gain(loss) on bond refundings	--	--	--	--	(121,632)	--
Add: Unamortized bond premiums	--	--	--	--	145,963	--
Net debt service requirements	$ 10,605	4,119	305,026	23	3,944,795	2,342,518

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.
(2) A portion of these bonds are variable rate bonds w ith rates ranging from 0.04% to 0.82%.
(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
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Business-Type Activities Debt Service Requirements Principal	Interest	Total
2013	42	74	529,481	205,694	735,175
2014	44	72	270,595	176,278	446,873
2015	47	69	220,260	176,203	396,463
2016	49	67	195,089	162,120	357,209
2017	52	64	208,078	182,463	390,541
2018-2022	300	280	824,944	694,628	1,519,572
2023-2027	385	195	865,294	407,306	1,272,600
2028-2032	299	68	611,040	225,062	836,102
2033-2037	--	--	377,330	115,242	492,572
2038-2042	--	--	249,746	28,772	278,518
2043-2047	--	--	11,400	285	11,685
	1,218	889	4,363,257	2,374,053	6,737,310
Less: Unamortized bond discounts	--	--	(6,536)	--	(6,536)
Unamortized gain(loss) on bond refundings	--	--	(123,680)	--	(123,680)
Add: Unamortized bond premiums	--	--	150,018	--	150,018
Net debt service requirements	1,218	889	4,383,059	2,374,053	6,757,112

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, 2012, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity	Balance (1)
General Obligation		
Public Improvement and Refunding Bonds, Series 2003	9/1/2013	$ 44,270
Public Improvement and Refunding Bonds, Series 2004	9/1/2014	4,980
Certificates of Obligations, Series 2003	9/1/2013	2,515
Certificates of Obligations, Series 2004	9/1/2014	10,945
HUD 108 Loan, Series 2003A	8/1/2013	785
HUD 108 Loan, Series 2006A	8/1/2016	655
HUD 108 Loan, Series 2010A	8/1/2016	2,865
Austin Energy		
Series 2003	5/15/2013	18,800
Austin Water Utility		
Series 2003	5/15/2013	97,100
		$ 182,915

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

7 – RETIREMENT PLANS
a – Description

The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund, the City of Austin Police Officers' Retirement and Pension Fund, and the Fire Fighters' Relief and Retirement Fund of Austin, Texas. An Independent Board of Trustees administers each plan. These plans are Citywide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 2011. Membership in the plans at December 31, 2011, is as follows:

	City Employees	Police Officers	Fire Fighters	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	5,464	605	590	6,659
Current employees	8,348	1,690	963	11,001
Total	13,812	2,295	1,553	17,660

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

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

Plan	Address	Telephone
Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752 www.coaers.org	(512)458-2551
Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 205 Austin, Texas 78704 www.ausprs.org	(512)416-7672
Fire Fighters' Relief and Retirement Fund	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 www.afrs.org	(512)454-9567

b -- Funding Policy

	City of Austin Employees' Retirement and Pension Fund	City of Austin Police Officers' Retirement and Pension Fund	Fire Fighters' Relief and Retirement Fund
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.00%	13.00%	16.20%
City's contribution (percent of earnings)	16.0% (1)	20.63% (2)	20.05% (3)

(1) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 16% was effective October 1, 2011. The City contribution includes an 8% employee match plus a subsidy contribution of 8%. This rate increased to 18% effective October 1, 2012 for fiscal year 2012-13 and each fiscal year thereafter. The City contribution includes an 8% employee match plus a subsidy contribution of 10%.
(2) A rate of 20.63% was effective October 1, 2011.
(3) A rate of 20.05% was effective October 1, 2011.

7 – RETIREMENT PLANS, continued
b -- Funding Policy, continued

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. Contributions for fiscal year ended September 30, 2012, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City	$ 72,772	27,809	15,627	116,208
Employees	36,186	17,514	12,626	66,326
Total contributions	$ 108,958	45,323	28,253	182,534

c -- Annual Pension Cost and Net Pension Obligation (Asset)

The City's annual pension cost of $128,170,000 for the fiscal year ended September 30, 2012, was $11,962,000 more than the City's actual contributions. Three-year trend information is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City's Annual Pension Cost (APC)				
2010	$ 78,559	21,926	10,058	110,543
2011	81,615	22,306	15,649	119,570
2012	85,335	27,246	15,589	128,170
Percentage of APC contributed				
2010	69%	104%	133%	N/A
2011	79%	117%	95%	N/A
2012	85%	102%	100%	N/A
Net Pension Obligation (Asset)				
2010	106,376	(364)	(3,144)	102,868
2011	123,692	(4,170)	(2,413)	117,109
2012	136,255	(4,733)	(2,451)	129,071

The Net Pension Obligation associated with the City Employees' Retirement and Pension Fund, the Police Officers' Retirement and Pension Fund, and the Fire Fighters' Relief and Retirement Fund is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Annual required contribution	$ 83,142	27,352	15,635	126,129
Interest on net pension obligation (asset)	9,586	(334)	(187)	9,065
Adjustment to annual required contribution	(7,393)	228	141	(7,024)
Annual pension cost	85,335	27,246	15,589	128,170
Employer contributions	(72,772)	(27,809)	(15,627)	(116,208)
Change in net pension obligation (asset)	12,563	(563)	(38)	11,962
Beginning net pension obligation (asset)	123,692	(4,170)	(2,413)	117,109
Net pension obligation (asset)	$ 136,255	(4,733)	(2,451)	129,071

7 – RETIREMENT PLANS, continued
c -- Annual Pension Cost and Net Pension Obligation (Asset)

The latest actuarial valuations for the City Employees' Retirement and Pension Fund, the Police Officers' Retirement and Pension Fund, and the Austin Fire Fighters' Relief and Retirement Fund were completed as of December 31, 2011. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	City Employees	Police Officers	Fire Fighters
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	3.50%	3.75%	3.5%
Projected Annual Salary Increases	5% to 6%	6.8% average	8%
Post Retirement Benefit Increase	None	None	None
Assumed Rate of Return on Investments	7.75%	8%	7.75%
Amortization Method	Level percentage of projected payroll, open	Level percentage of projected payroll, open	Level percentage of projected payroll, open
Remaining Amortization Period	27.1 years	25.2 years	20.91 years

d -- Schedule of funding progress

Information pertaining to the schedule of funding progress for each plan is as follows (in thousands):

Valuation Date, December 31		Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees							
2011	$	1,790,900	2,723,800	932,900	65.7%	451,800	207.0%
Police Officers							
2011		553,702	815,259	261,557	67.9%	134,844	194.0%
Fire Fighters (2)							
2011		651,557	746,143	94,568	87.3%	76,700	123.3%

(1) UAAL - Unfunded Actuarial Accrued Liability
(2) The actuarial study for the Fire Fighters' plan is performed biannually.

The schedule of funding progress, presented as RSI, presents multiyear trend 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 POST-EMPLOYMENT BENEFITS
a -- Description

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.

8 – OTHER POST-EMPLOYMENT BENEFITS, continued
a – Description, continued

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 $24.2 million for 3,731 retirees in 2012 and $22.7 million for 3,529 retirees in 2011.

b -- Annual Other Post-Employment 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, 2012 is as follows (in thousands):

	OPEB
Annual required contribution	$ 139,760
Interest on net OPEB obligation	16,132
Adjustment to annual required contribution	(21,810)
Annual OPEB cost	134,082
Contributions made	(24,223)
Change in net OPEB obligation	109,859
Beginning net OPEB obligation	383,192
Net OPEB obligation	$ 493,051

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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
2010	$ 116,704	18%	270,148
2011	135,756	17%	383,192
2012	134,082	18%	493,051

c -- Schedule of Funding Progress at September 30, 2012 (in thousands):

Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
$ --	1,499,465	1,499,465	0%	668,679	224.2%

(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 RSI, 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.

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.

8 – OTHER POST-EMPLOYMENT BENEFITS, continued
e -- Funding Policy

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

	OPEB
Actuarial Valuation Date	October 1, 2010
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	9.0% in 2011, decreasing 1.0% per year for five years to an ultimate trend of 5.0% in 2015

9 – DERIVATIVE INSTRUMENTS

The City has derivatives in two hedging programs: Energy Risk Management Program and Variable Rate Debt Management Program.

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

<u>Natural Gas Derivatives</u>
Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, Western Area Hub Association (WAHA), Katy, and the Houston Ship Channel (HSC).

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period. 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.

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

Premiums paid for options are deferred until the contract is settled. As of September 30, 2012, $4.6 million in premiums was deferred. As of September 30, 2012, the fair value of Austin Energy's futures, options, swaps and congestion rights, was an unrealized loss of $71.1 million, of which $79.7 million is reported as derivative instruments in liabilities and $8.6 million is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the balance sheet using deferred outflows and deferred inflows.

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, 2012, PCRRs had a fair value of $2.24 million and CRRs had a fair value of $3.27 million and 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, 2012, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

			Fair Value at September 30, 2012				
Type of Transaction	**Reference Index**	**Maturity Dates**	**Notional Volumes**		**Fair Value**	**Change in Fair Value**	**Premiums Deferred**
Long OTC Call Options	Henry Hub	Oct 2012 - Dec 2015	9,180,523	(1)	$ 1,151	(623)	8,083
Long OTC Put Options	Henry Hub	Oct 2012 - Sep 2013	5,470,000	(1)	361	361	--
Long Options	Henry Hub	Apr 2013 - Oct 2013	2,140,000	(1)	155	(322)	--
Long Basis Swaps	WAHA	Oct 2012 - Dec 2013	2,285,000	(1)	1,178	133	--
Short Futures	Henry Hub	Oct 2012 - July 2013	(382,500)	(1)	292	292	--
N/A Congestion Righ	ICE (2)	Oct 2012 - Dec 2013	14,615,211	(3)	5,508	2,395	--
		Derivative instruments (assets)			8,645	2,236	8,083
Short OTC Call Options	Henry Hub	Apr 2016 - Oct 2016	(1,050,000)	(1)	(631)	(631)	--
Short OTC Put Options	Henry Hub	Oct 2012 - Sep 2015	(11,015,000)	(1)	(23,980)	(6,409)	(3,482)
Long Futures	Henry Hub	Oct 2012 - July 2013	765,000	(1)	(2,285)	(1,016)	--
Short Options	Henry Hub	Apr 2013 - Oct 2013	(2,140,000)	(1)	(6,905)	(1,552)	--
Long OTC Swaps	Henry Hub	Oct 2012 - Dec 2016	49,277,500	(1)	(45,907)	(28,143)	--
		Derivative instruments (liabilities)			(79,708)	(37,751)	(3,482)
			Total		$ (71,063)	(35,515)	4,601

(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.

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, which these brokerage houses are members. At September 30, 2012, the brokerages had credit ratings of AA- and A-.

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

The over-the-counter agreements expose Austin Energy to credit risk. In the event of default Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit rating. At September 30, 2012, the two counterparties had credit ratings of A+ and A-. The contractual provisions under the ISDA (International Swaps and Derivatives Association) agreement applied to these contracts include collateral provisions. At September 30, 2012 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 (International Swaps and Derivatives Association) 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, 2012, the NYMEX price was $3.023 per MMBTU, the WAHA Hub price was $2.79 per MMBTU, Katy was $2.87 per MMBTU, and the HSC Hub price was $2.97 per MMBTU.

Investment Derivative Instruments

On September 30, 2012, Austin Energy had the following closed out investment derivative instruments (in thousands):

		Fair Value at September 30, 2012			
Type of Transaction	**Reference Index**	**Maturity Dates**	**Volumes in MMBTU**	**Fair Value**	**Change in Fair Value**
Long OTC Call Options	Henry Hub	Oct 2012 - Oct 2013	5,660,000	$ 493	(608)
Short OTC Call Options	Henry Hub	Oct 2012 - Oct 2013	(5,660,000)	(493)	608
Long OTC Swaps	Henry Hub	Dec 2015 - Dec 2015	155,000	72	72
Short OTC Swaps	Henry Hub	Dec 2015 - Dec 2015	(155,000)	(63)	(63)
Long Futures	Henry Hub	Aug 2013 - Oct 2013	230,000	(1,148)	(210)
Short Futures	Henry Hub	Aug 2013 - Oct 2013	(230,000)	1,079	210
				$ (60)	9

At September 30, 2012, Austin Energy recorded an unrealized gain of $8 thousand on outstanding emission investment instruments.

In fiscal year 2012 Austin Energy sold Preassigned Congestion Revenue Rights (PCRRs) and recorded a gain of $1.54 million. However, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2012, $948 thousand remained deferred.

Risks

As of September 30, 2012, 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 the City's swap portfolio is to change variable interest rate bonds to synthetically 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, 2012, the City has 3 outstanding swap transactions with initial and outstanding notional amounts totaling $602.1 million and $503.6 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, 2012, 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	$ 154,360	(26,424)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	236,300	(52,418)
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	112,960	(20,368)
					$ 503,620	(99,210)

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, 2012 (in thousands):

		Fair Value and Classification as of September 30, 2012		Change in fair value for the year ended September 30, 2012	
Item	Outstanding Notional Amount	Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 154,360	(26,424)	Non-current liability	(4,088)	--
AIR1	236,300	(52,418)	Non-current liability	(1,402)	--
HOT1	112,960	(20,368)	Non-current liability	(1,189)	--
	$ 503,620	(99,210)		(6,679)	--

Due to the continued low interest rate levels during fiscal year 2012, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2012. 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

As of September 30, 2012, the City had refunded Austin Water Utility's variable rate debt associated with the previously reported pay-fixed, receive-variable swap WWW1. Accordingly, the accumulated changes in the fair value of the swap that were reported as a deferred outflow of resources of $(16,280,216) at September 30, 2011, and the decrease in the fair value of the swap in fiscal year 2012 of $(199,784), that totaled $(16,480,000), was paid as a termination payment, and included in the net carrying amount of the refunded bonds.

Risks

Credit risk. As of September 30, 2012, 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 changes 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, 2012 are included in the table below:

			Counterparty Ratings		
Item	**Related Variable Rate Bonds**	**Counterparty**	**Moody's Investors Service, Inc**	**Standard & Poor's**	**Fitch, Inc**
Business-Type Activities:					
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	A2	A-	A
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, Inc.	Baa1	A-	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products	A2	A+	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.

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

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, 2012 are included in the table below (in thousands):

Item	Related Variable Rate Bonds		Counterparty Swap Interest Pay	Receive	Net	Interest to Bondholders	Net Interest Payments
Business-Type Activities:							
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	$	(5,595)	237	(5,358)	(215)	(5,573)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005		(9,753)	433	(9,320)	(567)	(9,887)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008		(3,676)	191	(3,485)	(211)	(3,696)
		$	(19,024)	861	(18,163)	(993)	(19,156)

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, 2012, the City bears basis risk on the three 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 a permanent mismatch 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, e.g. a tax cut that results 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 falls 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, 2012, the City did not have any investment derivative instruments related to interest rate swaps.

9 – DERIVATIVE INSTRUMENTS, continued
c -- Swap Payments and Associated Debt

As of September 30, 2012, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable-Rate Bonds (in thousands) Principal	Interest	Interest Rate Swaps, Net	Total Interest
2013	$ 17,485	171	18,107	18,278
2014	42,825	160	16,876	17,036
2015	30,520	148	15,485	15,633
2016	23,820	139	14,540	14,679
2017	12,255	133	14,006	14,139
2018-2022	131,780	537	57,016	57,553
2023-2027	168,090	237	25,315	25,552
2028-2031	76,845	39	5,106	5,145
Total	$ 503,620	1,564	166,451	168,015

10 – DEFICITS IN FUND BALANCES AND NET ASSETS

At September 30, 2012, the following funds reported deficits in fund balances/net assets (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
Municipal Court Traffic Safety	$ 109
One Texas Center	65
Rutherford Lane Facility	935
Capital Projects Funds:	
Street & traffic signals	8
Parks and recreation facilities	288
Libraries	17
Radio Trunking	47
Transportation	1,586
Cultural Facilities	211
Affordable Housing	902
Central Library	505
Mobility	9,564
Planning & development improvements	1
TPSD general improvements	2,050
Health projects	38
Build Austin	407
Park improvements	1,231
Police and courts	9,137
Capital Reserve	810
Public Works	2,361
Watershed Protection	670
City Hall, plaza, parking garage	7,055
Conservation Land	15
Nonmajor Enterprise	
Austin Resource Recovery	13,085

11 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables, and advances at September 30, 2012, are as follows (in thousands):

Receivable Fund	Payable Fund	Amount Current	Amount Advances
Governmental funds:			
General Fund	Nonmajor governmental funds	$ 226	--
Nonmajor governmental funds	General Fund	11	--
	Nonmajor governmental funds	44,931	--
	Austin Water Utility	--	2,761
	Nonmajor enterprise funds	--	16
Internal Service funds	Nonmajor governmental funds	11	179
Enterprise funds:			
Austin Energy	General Fund	185	1,630
	Nonmajor governmental funds	--	268
	Austin Water Utility (restricted)	--	22,723
	Airport	141	1,260
	Nonmajor enterprise funds	320	997
	Internal service funds	148	167
Airport (restricted)	Nonmajor governmental funds	--	85
Nonmajor enterprise funds	Nonmajor governmental funds	--	370
	Nonmajor enterprise funds	210	--
Fiduciary funds:			
Private Purpose	Private Purpose	25	--
		$ 46,208	30,456

Interfund receivables, payables, and advances reflect loans between funds. Of the above current amount, $16.6 million is an interfund loan from the Fiscal Surety Fund, a special revenue fund, to other special revenue funds (primarily grant funds) to cover deficit pooled investments and cash. The above current amount also includes $28.3 million in interfund loans between capital project funds to cover deficit pooled investments and cash.

Interfund transfers during fiscal year 2012 were as follows (in thousands):

	Transfers In						
Transfers Out	General	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Internal Service	Total
General	$ --	17,223	--	--	2,538	--	19,761
Nonmajor governmental	--	8,366	319	--	44,004	4,388	57,077
Austin Energy	105,428	--	--	--	--	--	105,428
Austin Water Utility	36,840	287	--	110	--	--	37,237
Airport	--	--	--	6,395	--	--	6,395
Nonmajor enterprise	1,940	2,356	--	--	22	--	4,318
Internal Service	--	6,328	--	--	82	--	6,410
Total transfers out	$ 144,208	34,560	319	6,505	46,646	4,388	236,626

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 9, 2006, the PUC approved the City's most recent wholesale transmission rate of $1.002466/KW. Transmission revenues totaled approximately $63.4 million in 2012. 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 and a debt service coverage approach.

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, 2012, City management has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed rate and a fuel recovery cost-adjustment factor that allows for recovery of coal, gas, purchased power, and other fuel costs. If actual fuel costs differ from amounts billed to customers, then deferred or unbilled revenues are recorded by Austin Energy. Any over- or under-collections are applied to the cost-adjustment factor. The fuel factor is reviewed annually on a calendar year basis or when over- or under-recovery is more than 10% of expected fuel costs.

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 2012, the Airport fund revenues included minimum concession guarantees of $9,871,811.

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, 2012 (in thousands):

Fiscal Year Ended September 30	Enterprise Airport Lease Receipts
2013	$ 14,160
2014	10,303
2015	2,851
2016	2,374
2017	1,547
2018-2022	233
Totals	$ 31,468

Projection of minimum future rentals for the Austin-Bergstrom Landhost Enterprises, Inc. is based on the current adjusted minimum rent for the period May 1, 2010 through April 30, 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.

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 $32.7 million as of September 30, 2012. The increase in the pro-rata interest from 2011 is primarily due to an increase in coal inventory and a reduction in liabilities. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various assets 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.

13 – COMMITMENTS AND CONTINGENCIES, continued
b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2012, Austin Energy's investment in the STP was approximately $423 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 renewal for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The NRC decided to stop all licensing activities that rely on the Waste Confidence Decision and Rule until burial waste issues are resolved.

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, 2012, the trust's assets were in excess of the estimated liability by $21.4 million which is reported as part of deferred revenue and other liabilities (in thousands):

Decommissioning trust assets	$ 178,191
Pro rata decommissioning liability	(156,747)
	$ 21,444

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, 2010 showed that the trust assets exceeded the minimum required assurance by $29.2 million.

d -- Purchased Power

Austin Energy has commitments totaling $4.4 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2037, landfill power through 2020, biomass through 2032, and solar through 2036.

e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Seaholm Power Plants. The financial statements include a liability of approximately $15.7 million at September 30, 2012. Austin Energy anticipates payment of these costs in 2013 and future years. The amount is based on 2012 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.

13 – COMMITMENTS AND CONTINGENCIES, continued
e -- Decommissioning and Environmental/Pollution Remediation Contingencies, continued

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 $10 million at September 30, 2012 for sites related to Harold Court, Rosewood and Loop 360. Austin Resource Recovery anticipates payment of these costs in 2012 and future years. The amount is based on 2012 cost estimates to perform remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Texas Water Development Board

In November 2009, the City delivered $31,815,000 of initial Water and Wastewater System Revenue Bonds, Series 2010 as a private placement with the TWDB. This zero-interest issuance is part of the American Recovery and Reinvestment Act. As part of that program, the initial bonds, in $5,000 increments, are replaced with definitive bonds as the City requests reimbursement for expenditures related to the approved project: green infrastructure improvements at the Hornsby Bend Biosolids Management plant. The City recognizes a liability once the definitive bonds have been issued. The remaining commitment will be recognized as future definitive bonds are issued. At year end, the liability recognized by the Water and Wastewater System Revenue Bonds, Series 2010 and the remaining commitment are as follows (in thousands):

Total bonds authorized	$	31,815
Definitive bonds issued to date		(30,365)
Remaining commitment	$	1,450

The City intends to issue definitive bonds for the remaining commitment. If the full amount of bonds authorized is not converted to definitive bonds, the TWDB and the City would agree to cancel any remaining initial bonds authorized but not converted. The City's liability in the financial statements represents the amount of definitive bonds outstanding.

g -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2012.

h -- Federal and State Financial Assistance Programs

The City participates in a number of federally assisted and state grant programs, financed primarily by the U.S. Housing and Urban Development (HUD) Department, U.S. Health and Human Services (HHS) Department, and U.S. Department of Transportation (DOT). The City's programs are subject to program compliance audits by the granting agencies. Management believes that no material liability will arise from any such audits.

i -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2012 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
i -- Capital Improvement Plan, continued

Project (in thousands)		Remaining Commitment
Governmental activities:		
General government	$	75,807
Public safety		12,820
Transportation		154,826
Public health		874
Public recreation and culture		149,708
Urban growth management		144,290
Business-type activities:		
Electric		241,870
Water		592,718
Wastewater		438,748
Airport		77,928
Convention		4,359
Environmental and health services		16,347
Urban growth management		76,272
Total	$	1,986,567

j -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2012, is as follows:

		Encumbrances
General Fund	$	5,157
Nonmajor governmental		
Special Revenue		3,496
Capital Projects		181,226
	$	189,879

Significant encumbrances include reservations for the 2006 bond program ($38,980), the 2010 bond program (38,869) and the Waller Creek Tunnel project ($69,605).

k -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery Fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Drought conditions have delayed final closure, which is expected to occur in fiscal year 2013. 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, 2012, is as follows (in thousands):

		Closure	Postclosure	Total
Total estimated costs	$	14,584	11,185	25,769
% capacity used		100%	100%	100%
Cumulative liability accrued		14,584	11,185	25,769
Costs incurred		(13,736)	--	(13,736)
Closure and post-closure liability	$	848	11,185	12,033

13 – COMMITMENTS AND CONTINGENCIES, continued
k -- Landfill Closure and Postclosure Liability

These amounts are based on the 2012 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

l -- 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 or HMO for health coverage. Approximately 30% of city employees and 37% of retirees use the HMO option; approximately 70% of city employees and 63% of retirees use the PPO 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 2012, two claims exceeded the stop-loss limit of $500,000; during fiscal year 2011, six claims exceeded the stop-loss limit of $500,000, and during fiscal year 2010, six 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 (IBNRs). 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 $34.2 to $49.9 million. The City contributes amounts to an internal service fund based on an estimate of anticipated costs for claims each year.

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

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2012	2011	2012	2011	2012	2011
Liability balances, beginning of year	$10,638	10,558	7,585	7,576	15,638	15,301
Claims and changes in estimates	8,348	7,386	803	4,289	6,608	3,810
Claim payments	(8,682)	(7,306)	(2,064)	(4,280)	(4,655)	(3,473)
Liability balances, end of year	$10,304	10,638	6,324	7,585	17,591	15,638

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of $3.4 million discounted at 3.99% in 2012 and $5.0 million discounted at 4.47% in 2011.

13 – COMMITMENTS AND CONTINGENCIES, continued

m -- Redevelopment of Robert Mueller Municipal Airport

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus is currently developing and marketing the property. The Mueller Local Government Corporation (MLGC), created by the City for this development, issues debt to fund infrastructure such as streets, drainage facilities, public parks, and greenways, which are supported by taxes generated from this development.

In September 2006, the MLGC issued debt in the amount of $12 million. Proceeds of the debt have been used to reimburse the developer for eligible infrastructure such as streets, drainage, and parks. Debt service payments will be 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 for the residential portion of the development. Debt service payments will be funded through an economic development grant from the City of Austin, and supported by property tax proceeds from the development.

The development contains over 1.15 million square feet of institutional Class A office space which hosts over 40 employers providing more than 3,600 jobs at Mueller. In addition, the development has more than 390,000 square feet of retail space. From the start of home sales in 2007, the community has been well received. As of September 30, 2012, approximately 925 single-family homes and 943 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 98 single-family homes, 274 multi-family units, and 125,000 square feet of retail space.

n -- No-Commitment Special Assessment Debt

In November 2011, the City issued $15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-054 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Whisper Valley Public Improvement District; funding of a reserve fund; payment of a portion of the costs incidental to the organization of the District; funding of capitalized interest; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 3012. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2012 are $15,500,000 and $13,735,785, respectively.

In November 2011, the City issued $2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-052 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Indian Hills Public Improvement District; funding of a reserve fund; payment of a portion of the costs incidental to the organization of the District; funding of capitalized interest; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 3012. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2012 are $2,860,000 and $2,417,699, respectively.

o -- Other Commitments and Contingencies

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, 2012 was $26.1 million. The City expects these leases to be replaced with similar leases in the ordinary course of business. Future minimum lease payments for these leases will remain approximately the same.

The City has entered into certain lease agreements to finance equipment for both governmental and business-type activities. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments at their inception date. Refer to Note 6 for the debt service requirements on these leases.

13 – COMMITMENTS AND CONTINGENCIES, continued
o -- Other Commitments and Contingencies, continued

The following summarizes capital assets recorded at September 30, 2012, under capital lease obligations (in thousands):

Capital Assets	Governmental Activities	Business-type Activities Austin Energy
Building and improvements	$ --	1,405
Equipment	578	--
Accumulated depreciation	(513)	(351)
Net capital assets	$ 65	1,054

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, 2012. These liabilities, reported in the government-wide statement of net assets, 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. The City has issued $115.2 million in various series of housing revenue bonds that have an outstanding balance of $108.4 million as of September 30, 2012.

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, 2012, $336.5 million in revenue and revenue refunding bonds was outstanding that had an original issue value of $382.2 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.

Condensed Statement of Net Assets

ASSETS	
Current assets	$ 61,295
Advances to other funds	45
Capital assets	260,022
Other assets	14,042
Total assets	335,404
Deferred outflows of resources	20,368
LIABILITIES	
Due to other funds	320
Other current liabilities	17,703
Advances from other funds	997
Other noncurrent liabilities	238,846
Total liabilities	257,866
NET ASSETS	
Invested in capital assets, net of related debt	49,867
Restricted	19,586
Unrestricted	28,453
Total net assets	$ 97,906

16 – SEGMENT INFORMATION – CONVENTION CENTER, continued

Condensed statement of revenues, expenses, and changes in net assets

OPERATING REVENUES	
User fees and rentals	$ 19,200
Total operating revenues	19,200
OPERATING EXPENSES	
Operating expenses before depreciation	37,617
Depreciation and amortization	9,028
Total operating expenses	46,645
Operating income (loss)	(27,445)
Nonoperating revenues (expenses)	(12,597)
Capital contributions	34
Transfers	43,791
Change in net assets	3,783
Total net assets - beginning	94,123
Total net assets - ending	$ 97,906

Condensed statement cash flows

Net cash provided (used) by:	
Operating activities	$ (16,172)
Noncapital financing activities	43,470
Capital and related financing activities	(25,125)
Investing activities	(1,965)
Net increase (decrease) in cash and cash equivalents	208
Cash and cash equivalents, October 1	49,847
Cash and cash equivalents, September 30	$ 50,055

17 – SUBSEQUENT EVENTS
a -- General Obligation Bond Issue

In October 2012, the City issued $74,280,000 of Public Improvement Bonds, Series 2012A. The net proceeds of $78,980,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and signals ($44,700,000), watershed protection improvements ($5,000,000), parks and recreation ($9,640,000), cultural arts ($5,900,000), central library ($1,300,000), and facility improvements ($12,440,000). These bonds will be amortized serially on September 1 of each year from 2013 to 2032. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2013. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0%, are $37,944,100.

In October 2012, the City issued $6,640,000 of Public Improvements Bonds, Taxable Series 2012B. The net proceeds of $6,650,000 (after issue costs, discounts, and premiums) from the issue will be used for affordable housing. These bonds will be amortized serially on September 1 of each year from 2013 to 2032. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2013. Total interest requirements for these bonds, at rates ranging from 2.0% to 3.5%, are $2,201,098.

In October 2012, the City issued $24,645,000 of Certificates of Obligation, Series 2012. The net proceeds of $25,890,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: Solid Waste Services Environmental Remediation ($1,830,000), Transportation Projects ($10,000,000), parks and recreation ($4,060,000), and Waller Creek Tunnel ($10,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2013 to 2037. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2013. Total interest requirements for these obligations, at rates ranging from 2.0% to 4.0%, are $10,111,213.

17 – SUBSEQUENT EVENTS, continued
a -- General Obligation Bond Issue, continued

In October 2012, the City issued $27,135,000 of Public Property Finance Contractual Obligations, Series 2012. The net proceeds of $29,515,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water utility capital equipment ($1,210,000), wastewater utility capital equipment ($1,040,000), parks capital equipment ($865,000), police vehicles and equipment ($11,900,000), and solid waste services capital equipment ($14,500,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2013 to 2019. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2013. Total interest requirements for these obligations, at rates ranging from 1.0% to 4.0%, are $3,748,758.

b -- Mueller Local Government Corporation Tax Increment Contract Revenue Bonds

In October 2012, the City issued $16,735,000 of Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2012. The Mueller Local Government Corporation is a not-for-profit local government corporation acting on behalf of the City of Austin, Texas. Proceeds from the issue will be used to provide funds for certain public infrastructure improvements within the Reinvestment Zone Number Sixteen, City of Austin, Texas, a tax increment reinvestment zone created by the City. The debt service requirements on the bonds are $23,576,313, with interest rates ranging from 2.0% to 3.4%. Interest payments are due March 1 and September 1 of each year from 2013 to 2032. Principal payments are due September 1 of each year from 2013 to 2032.

c -- Texas Water Development Board

As of February 11, 2013, the City has converted an additional $1,035,000 of initial bonds to definitive Water and Wastewater System Revenue Bonds, Series 2010 over three separate draw requests. With these issuances, the outstanding commitment with the TWDB in now reduced to $415,000.

d -- Electric Utility System Revenue Refunding Bonds, Series 2012A

In December 2012, the City issued $267,770,000 of Electric Utility System Revenue Refunding Bonds, Series 2012A. The net proceeds from the bond refunding were used to refund $181,555,000 of the City’s outstanding tax-exempt commercial paper issued for the electric utility system and $127,800,000 of separate lien refunding bonds, series 2003. The debt service requirements on the refunding bonds are $488,264,319, with interest rates ranging from 2.5% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2013 to 2040. Principal payments are due November 15 of each year from 2016 to 2040. An economic gain of $24,186,987 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $25,484,029. An accounting loss of $1,354,733, which will be deferred and amortized, was recorded on this refunding.

In December 2012, the City issued $107,715,000 of Electric Utility System Revenue Refunding Bonds, Series 2012B. The net proceeds from the bond refunding were used to refund $43,745,000 of the City’s outstanding taxable commercial paper notes issued for the electric utility system; $24,135,000 of separate lien revenue refunding bonds, series 2002A; $3,500,000 of separate lien revenue refunding bonds, series 2006; $29,000,000 of separate lien revenue refunding bonds, series 2007; and $2,570,000 of separate lien revenue refunding bonds, series 2008. The debt service requirements on the refunding bonds are $138, 270,727, with interest rates ranging from 0.67% to 3.2%. Interest payments are due May 15 and November 15 of each year from 2013 to 2027. Principal payments are due November 15 of each year from 2015 to 2027. An economic loss of $1,193,260 was recognized on this transaction. The change in net cash flows that resulted from the refunding was an increase of $11,339,873. An accounting loss of $7,806,248, which will be deferred and amortized, was recorded on this refunding.

REQUIRED SUPPLEMENTARY INFORMATION

(In thousands)

General Fund

	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 448,537	99	448,636	437,261	437,261	11,375
Franchise fees	32,578	47	32,625	33,827	33,827	(1,202)
Fines, forfeitures and penalties	15,784	(1)	15,783	20,079	20,079	(4,296)
Licenses, permits and inspections	22,664	(3)	22,661	15,300	15,618	7,043
Charges for services/goods	44,147	2,188	46,335	43,540	43,540	2,795
Interest and other	4,414	(883)	3,531	3,645	3,645	(114)
Total revenues	568,124	1,447	569,571	553,652	553,970	15,601
EXPENDITURES						
General government						
Municipal Court	12,674	(6)	12,668	12,834	12,834	166
Public safety						
Police	265,016	(579)	264,437	267,580	267,580	3,143
Fire	132,832	(148)	132,684	131,199	131,264	(1,420)
Emergency Medical Services	50,096	(276)	49,820	49,781	49,781	(39)
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	5	(5)	--	--	--	--
Public health:						
Health	41,991	729	42,720	41,553	42,693	(27)
Public recreation and culture						
Parks and Recreation	44,810	263	45,073	45,290	45,290	217
Austin Public Library	26,943	(143)	26,800	26,593	26,593	(207)
Urban growth management						
Neighborhood Planning and Zoning	21,933	(224)	21,709	21,181	22,255	546
Other Urban Growth Management	16,486	(1,528)	14,958	17,527	17,492	2,534
General city responsibilities (4)	83,875	(59,850)	24,025	23,737	23,737	(288)
Total expenditures	696,661	(61,767)	634,894	637,275	639,519	4,625
Excess (deficiency) of revenues over expenditures	(128,537)	63,214	(65,323)	(83,623)	(85,549)	20,226
OTHER FINANCING SOURCES (USES)						
Transfers in	144,208	18,066	162,274	161,215	163,193	(919)
Transfers out	(19,761)	(76,873)	(96,634)	(96,304)	(96,338)	(296)
Total other financing sources (uses)	124,447	(58,807)	65,640	64,911	66,855	(1,215)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,090)	4,407	317	(18,712)	(18,694)	19,011
Fund balance at beginning of year	134,253	(13,226)	121,027	84,184	103,746	17,281
Fund balance at end of year	$ 130,163	(8,819)	121,344	65,472	85,052	36,292

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, 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, budgeted payroll accrual, and amounts budgeted as fund-level expenditures.

BUDGET BASIS REPORTING

a -- General

The City of Austin prepares its annual operating budget based on the modified accrual basis. Encumbrances constitute the equivalent of expenditures for budgetary purposes. In order to provide a meaningful comparison of actual results to the budget, the Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with original and final budgets.

The General Fund, as reported in the financial statements is comprised of five separately budgeted funds: the General Fund, as budgeted by the City plus the Economic Incentives Reserve, New Central Library, Neighborhood Housing and Community Development, and Sustainability 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 ($340,000), accrued payroll ($2,323,439), expenditures for workers' compensation ($5,391,885), liability reserve ($2,000,000), and public safety ($2,632,781).

b -- Budget Amendments

The original revenue budget of the General Fund was amended during the fiscal year 2012 to increase social services and planning and development review. The original expenditure budget of the General Fund was amended during fiscal year 2012 primarily for increased social services and planning and development review costs. The original and final budget is presented in the accompanying schedule.

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	$ (4,090)
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	1,438
Net compensated absences accrual	(329)
Outstanding encumbrances established in current year	(5,157)
Payments against prior year encumbrances	3,132
Other	5,323
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 317

RETIREMENT PLANS-TREND INFORMATION

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

Valuation Date, December 31	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
2009	$ 1,672,470	2,330,937	658,467	71.8%	442,539	148.8%
2010	1,711,600	2,460,700	749,100	69.6%	438,900	170.7%
2011	1,790,900	2,723,800	932,900	65.7%	451,800	207.0%
Police Officers						
2009	518,112	733,635	215,523	70.6%	122,928	175.3%
2010	546,957	776,231	229,274	70.5%	127,732	179.5%
2011	553,702	815,259	261,557	67.9%	134,844	194.0%
Fire Fighters (2)						
2007	584,420	586,802	2,382	99.6%	76,556	3.1%
2009	589,261	664,185	74,924	88.7%	78,980	94.9%
2011	651,557	746,143	94,568	87.3%	76,700	123.3%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)
(2) The actuarial study for the Fire Fighters' plan is performed biannually.

Information on where to obtain financial statements and supplementary information for each plan can be found in Footnote 7.

OTHER POST EMPLOYMENT BENEFITS-TREND INFORMATION

Under GAAP, the City is required to have an actuarial valuation of its other post employment benefits program every other year. The Schedule of Funding Progress for other post employment 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
2010	2008	$ --	1,134,864	1,134,864	0.0%	620,526	182.9%
2011	2010	--	1,404,692	1,404,692	0.0%	668,679	210.1%
2012	2010	--	1,499,465	1,499,465	0.0%	668,679	224.2%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)

Supplementary information for the OPEB plan can be found in Footnote 8.

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APPENDIX C

SELECTED DEFINITIONS

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SELECTED DEFINITIONS

Unless otherwise expressly provided or unless the context otherwise requires, the terms defined herein shall have the respective meanings specified:

"Additional Bonds" means bonds issued by the City pursuant to Part 19 of the Ordinance.

"Authorized Denominations" means denominations of $5,000 or any integral multiple thereof (within a maturity).

"Authorized Official" means, individually and collectively, each of the Mayor, the City Manager, the Chief Financial Officer and the Treasurer of the City.

"Bond Act" means, collectively, Chapter 1207 and Chapter 1371.

"Bond Date" means the date specified in the Pricing Certificate.

"Bond Fund" means the Fund referenced in Part 15 of the Ordinance for the payment of the Parity Bonds.

"Bond Year" means the period of time that commences on the day following the interest payment date on the Bonds occurring in November of any year and ending on the interest payment date on the Bonds occurring in November of the following year.

"Bonds" means the City of Austin, Texas 4.5% Hotel Occupancy Tax Revenue Refunding Bonds, Series 2013 authorized by the Ordinance.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the cities in which the designated office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational.

"Chapter 1207" means Texas Government Code, Chapter 1207.

"Chapter 1371" means Texas Government Code, Chapter 1371.

"City" means the City of Austin, Texas, and, where appropriate, Council.

“Code” has the meaning set forth in Part 23(a) of the Ordinance.

“Convention Center/Waller Creek Venue Project” means the capital improvement project described generally of consisting of the expansions to the City’s Convention Center, including the construction of tunnel improvements along Waller Creek in the vicinity of and functionally related to the convention center and related infrastructure and being a venue project within the meaning of Texas Local Government Code, Chapter 334, approved at an election held in the City on May 2, 1998, and designated by Resolution No. 980205-61.

“Council” means the City Council of the City.

“Credit Agreement” has the meaning set forth in Chapter 1371 as the same may be amended from time to time.

“Debt Service Requirements” of any series of bonds for any particular Bond Year, means an amount equal to the sum of the principal of and interest and any redemption premium on the bonds then Outstanding which will become due and owing during the Bond Year; subject, however, to adjustment as provided in Part 19.

“Designated Payment/Transfer Office” means the office of the Paying Agent/Registrar so designated by it from time to time.

“Fiscal Year” means the City’s fiscal year, which is currently October 1 to September 30.

“Fitch” means Fitch, Inc., a corporation organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Government Obligations” means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

"Guaranty Agreement" has the meaning set forth in Part 16 of the Ordinance.

"Holder" or "Owner" means, when used with respect to any Parity Bond, the person or entity in whose name the Parity Bond is registered in the Security Register. Any reference to a particular percentage or proportion of the Holders or Owners shall mean the Holders or Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Parity Bonds then Outstanding under the Ordinance.

"Hotel Occupancy Tax" means the tax, levied by the City pursuant to the Tax Act, on the cost of occupancy of any sleeping room furnished by any hotel located within the corporate limits of the City, in which the cost of occupancy is $2.00 or more each day, which tax is currently levied at a rate of 7% of the consideration paid by the occupant of the sleeping room to the hotel.

"Interest Rate Management Agreement" means any Credit Agreement between the City and another party entered into in connection with, or related, to the City's Variable Rate Obligations, that is in the form of an interest rate exchange agreement, pursuant to which the City pays a fixed percentage rate of a notional amount and the other party pays a variable percentage rate of the same notional amount, of which the notional amount is equal to the principal amount of the Variable Rate Obligations of the City, and of which the notional amount is reduced as the principal of the Variable Rate Obligation is paid.

“Issue Date” means the date the Bonds are issued and delivered to the Purchasers.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Ordinance” means the Ordinance No. 20131121-043 and all exhibits, appendices, amendments and supplements.

“Outstanding”, when used with reference to any Prior Lien Bonds or Parity Bonds, means, as of a particular date, all Prior Lien Bonds or Parity Bonds delivered except: (a) any such Prior Lien Bonds or Parity Bonds paid, discharged or canceled by or on behalf of the City at or before the particular date; (b) any Prior Lien Bonds or Parity Bonds defeased pursuant to the defeasance provisions of the ordinance authorizing their issuance, or otherwise defeased as permitted by applicable law; and (c) any Prior Lien Bonds or Parity Bonds in lieu, of or in substitution for, which another obligation is delivered pursuant to the ordinances authorizing the issuance of the Prior Lien Bonds or Parity Bonds.

“Parity Bonds” means the Bonds and Additional Bonds secured by a lien on Pledged Hotel Occupancy Tax Revenues on a parity with the Bonds.

“Parity Obligations” means at any time all (i) Parity Bonds, (ii) all Reimbursement Obligations, (iii) obligations of the City to make scheduled payments under an Interest Rate Management Agreement with respect to Parity Bonds (excluding Termination Obligations), and (iv) any future obligation of the City under Credit Agreements or other agreements to the extent such obligations are secured by a lien on Pledged Hotel Occupancy Tax Revenues on an equal and ratable basis with the lien securing the Parity Bonds.

"Paying Agent/Registrar" means, with respect to the Bonds, the Paying Agent/Registrar to be appointed as provided in Part 5 of the Ordinance, and its successors in that capacity.

"Pledged Hotel Occupancy Tax Revenues" means that portion of the revenues derived by the City from the Hotel Occupancy Tax which is equal to at least 4.5% of the consideration paid by occupants of sleeping rooms furnished by hotels located within the corporate limits of the City.

"Pledged Revenues" means, collectively, (i) the Pledged Hotel Occupancy Tax Revenues, (ii) interest and other income realized from the investment of amounts on deposit in the funds and accounts to be maintained pursuant to the Ordinance to the extent such interest and other income are required to be transferred or credited to the Tax Fund, and (iii) any additional revenue, receipts or income hereafter pledged to the Bonds in accordance with Part 20(b) of the Ordinance.

"Prior Lien Bonds" means the outstanding (1) "City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008", dated August 14, 2008, originally issued in the aggregate principal amount of $125,280,000, and (2) "City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2012 (Convention Center/Waller Creek)", dated March 1, 2012, originally issued in the aggregate principal amount of $20,185,000.

"Prior Lien Obligations" mean at any time all (i) Prior Lien Bonds, (ii) all Priority Reimbursement Obligations, (iii) obligations of the City to make scheduled payments under an Interest Rate Management Agreement with respect to the Prior Lien Bonds, and (iv) subject to the terms of the Ordinance, any future obligation of the City under Credit Agreements or other agreements to the extent such obligations are secured by a lien on Pledged Hotel Occupancy Tax Revenues on an equal and ratable basis with the lien securing the Prior Lien Bonds.

"Priority Reimbursement Obligation" means any obligation entered into by the City in connection with any Prior Lien Bond pursuant to which the City obligates itself to reimburse a bank, insurer, surety or other entity for amounts paid or advanced by such party pursuant to a letter of credit, line of credit, standby bond purchase agreement, credit facility, liquidity facility, insurance policy, surety bond or other similar credit agreement, guaranty or liquidity agreement to secure any portion of principal of, interest on or purchase price of any Prior Lien Bond or reserves in connection therewith or otherwise relating to any Prior Lien Bond. The City's obligations under a Guaranty Agreement with respect to Prior Lien Bonds, its obligations under a liquidity facility with respect to Prior Lien Bonds, and its obligations to reimburse a credit facility provider for amounts paid under a credit facility with respect to Prior Lien Bonds constitute Priority Reimbursement Obligations.

"Purchasers" has the meaning set forth in Part 4(b) of the Ordinance.

"Rating Agency" means any nationally recognized rating agency that maintains a rating on the Bonds at the request of the City. Initially, the Rating Agencies are Moody's and Standard & Poor's.

"Rating Category" means one of the general rating categories of any Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"Rating Confirmation Notice" means, with respect to an action that affects the Bonds, a writing from each Rating Agency confirming that the rating(s) issued by such Rating Agency on such series of Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a long-term mode) as a result of the action proposed to be taken.

"Refunded Bonds" means all of the outstanding "City of Austin, Texas, Hotel Occupancy Tax Revenue Refunding Bonds, Series 2004", dated February 1, 2004, as further identified by the Pricing Officer in the Pricing Certificate.

"Reimbursement Obligation" mean any obligation (other than a Termination Obligation) entered into by the City in connection with any Parity Bond pursuant to which the City obligates itself to reimburse a bank, insurer, surety or other entity for amounts paid or advanced by such party pursuant to a letter of credit, line of credit, standby bond purchase agreement, credit facility, liquidity facility, insurance policy, surety bond or other similar credit agreement, guaranty or liquidity agreement to secure any portion of principal of, interest on or purchase price of any Parity Bond or reserves in connection therewith or otherwise relating to any Parity Bond. The City's obligations (other than Termination Obligations) under a Guaranty Agreement with respect to Parity Bonds, its obligations (other than Termination Obligations) under a liquidity facility with respect to Parity Bonds, and its obligations (other than Termination Obligations) to reimburse a credit facility provider for amounts paid under a credit facility with respect to Parity Bonds constitute Reimbursement Obligations.

"Reserve Fund" means the Fund referenced in Part 16 of the Ordinance to provide a reserve amount for the payment of any Parity Bonds.

"Reserve Fund Requirement" means, to the extent applicable to a series of Parity Bonds, the total amount to be accumulated and maintained in the Reserve Fund pursuant to Part 16 hereof, which total shall equal the least of (i) 10% of the Outstanding principal amount of the Parity Bonds or (ii) the maximum annual Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Parity Bonds at any time Outstanding, or (iii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to subsection (d) of Section 148 of Code, and regulations promulgated under subsection (d) of Section 148 of the Code.

"Reserve Fund Surety Bond" means any surety bond, insurance policy, letter of credit or other guaranty issued to the City for the benefit of the Holders of the Parity Bonds to satisfy any part of the Reserve Fund Requirement as provided in Part 16 of the Ordinance.

"Security Register" means the books of registration maintained by the Paying Agent/Registrar for recording the names and addresses of and the principal amounts registered to each Holder.

"Special Hotel Occupancy Tax" means the 2% hotel occupancy tax approved at the election held May 2, 1998 to finance the Convention Center/Waller Creek Venue Project and levied by the City pursuant to Ordinance No. 980709-G, adopted by the City Council of the City on July 9, 1998, on the cost of occupancy of any sleeping room furnished by any hotel located within the corporate limits of the City, in which the cost of occupancy is $2.00 or more each day.

"Special Hotel Occupancy Tax Revenues" means that portion of the revenues derived by the City from the Special Hotel Occupancy Tax.

"Standard & Poor's" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Tax Act" means Texas Tax Code, Chapter 351.

"Tax Fund" means the fund so designated in Part 13 of the Ordinance.

"Termination Obligations" means the payment obligations of the City under an Interest Rate Management Agreement, that are termination payments, settlement payments or other payments that are not included in clause (iii) of the definitions of Parity Obligations or Prior Lien Obligations, as applicable.

"Transfer Date" means each February 14, May 14, August 14, and November 14, beginning May 14, 2014.

"Transfer Period" means the period of time beginning on any Transfer Date and ending on the day immediately preceding the next succeeding Transfer Date.

"Variable Rate Obligations" means any obligation pursuant to which the City is to pay interest at an interest rate that is not fixed for the life of the obligation and any obligation, such as an interest rate exchange agreement or other Credit Agreement, pursuant to which the City is to make payments the amounts of which are not known at the time the obligation is issued or incurred.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

IN REGARD to the authorization and issuance of the "City of Austin, Texas, 4.5% Hotel Occupancy Tax Revenue Refunding Bonds, Series 2013," dated December 1, 2013, in the principal amount of $26,485,000 (the "Bonds"), we have examined into their issuance by the City of Austin, Texas (the "City") solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on November 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Bond Ordinance" and, jointly with the Pricing Certificate, the "Ordinance"), without right of prior redemption. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the City in connection with the issuance of the Bonds, including the Ordinance, the Escrow Agreement (the "Escrow Agreement") between the City and U. S. Bank National Association, Houston, Texas (the "Escrow Agent") and a special report of The Arbitrage Group, Certified Public Accountants (the "Accountants"), (ii) certifications and opinions of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and to certain other facts within the knowledge and control of the City, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the City (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the Issuer, and the Bonds issued in compliance with the provisions of the Ordinance are valid and legally binding special obligations of the Issuer, in accordance with the terms thereof, and are payable solely from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues (as defined in the Ordinance) in the manner provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Subject to the restrictions stated in the Ordinance, the City has reserved the right to issue and incur additional obligations payable from and secured by a lien on and pledge of the Pledged Revenues on a parity with, or subordinate to, the Bonds.

2. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Accountants as to the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX E

SUMMARY OF REFUNDED OBLIGATIONS

Refunded Obligations	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Hotel Occupancy Tax Revenue Refunding Bonds, Series 2004	11/15/2014	5.00%	$ 4,230,000	1/21/2014	(a)
	11/15/2015	5.00%	4,455,000	1/21/2014	(a)
	11/15/2016	5.00%	4,680,000	1/21/2014	(a)
	11/15/2017	5.00%	4,920,000	1/21/2014	(a)
	11/15/2018	5.00%	5,170,000	1/21/2014	(a)
	11/15/2019	5.00%	5,435,000	1/21/2014	(a)
Total Refunded Obligations			$ 28,890,000		

(a) Refunded Obligations are subject to redemption at a price equal to the principal amount thereof, plus accrued interest to the redemption date.