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OFFICIAL STATEMENT

NEW ISSUE - Book-Entry-Only

RATING: STANDARD & POOR'S: AAA
MOODY'S: Aaa
(See " BOND INSURANCE and GENERAL - Ratings" herein.)

In the opinion of Bond Counsel, interest on the Series 1999 Bonds is excludable from gross income for federal income tax purposes under existing law subject to the matter described under "TAX EXEMPTION" herein including a description of the alternative minimum tax on corporations.

City of Austin, Texas
$110,000,000
HOTEL OCCUPANCY TAX SUBORDINATE LIEN REVENUE REFUNDING BONDS
SERIES 1999

Dated: September 1, 1999

Due: November 15, as shown below

The Series 1999 Bonds will bear interest from the date thereof at the rates set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 1999 Bonds is payable on May 15, 2000 and semiannually thereafter on May 15 and November 15 of each year until maturity or earlier redemption. The Series 1999 Bonds will be registered initially in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 1999 Bonds. Purchases will be made in book-entry form through DTC Participants only in denominations of $5,000 or any integral multiple thereof, and, while the book-entry system is utilized, no physical delivery of Series 1999 Bonds will be made to purchasers. Payments of principal, redemption premium, if any, and interest will be made to purchasers by DTC through its Participants. The City reserves the right to discontinue such book-entry system. See "Description of the Series 1999 Bonds" herein.

The Series 1999 Bonds, including the Term Bonds set forth below, are subject to optional redemption prior to maturity, in whole or in part, commencing November 15, 2009 and on any date thereafter at a price equal to the principal amount thereof plus accrued interest. The Term Bonds are also subject to mandatory sinking fund redemption as described herein. See "DESCRIPTION OF THE SERIES 1999 BONDS" herein.

The Series 1999 Bonds are issued pursuant to Article 717k and 1269j-4.1 Vernon's Texas Civil Statutes, as amended, and Chapter 334 of the Local Government Code, as amended (the "Act"), and other applicable laws of the State of Texas, and an ordinance (the "Ordinance") adopted by the City. The Series 1999 Bonds are special obligations of the City that are equally and ratably payable from and secured by a lien on certain Pledged Revenues such lien being junior and subordinate to the lien securing the payment of the Prior Lien Bonds now outstanding and hereafter issued. The Pledged Revenues consist primarily of a pledge on a subordinate basis as noted above, of (i) that portion of revenues derived by the City from a hotel occupancy tax levied by the City pursuant to Chapter 351 of the Texas Tax Code, Vernon's Texas Codes Annotated, as amended, which is equal to at least 4.5% of the consideration paid by occupants of sleeping rooms furnished by hotels in which the cost of occupancy is $2.00 or more a day (the "4.5% HOT"), and (ii) the available revenues from a Special Hotel Occupancy Tax deposited to the credit of the Venue Project Fund (the "2% HOT"), 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 of any of the physical properties of the City. Proceeds of the Series 1999 Bonds will be used to currently refund two series of obligations totaling $110,000,000 privately placed by the City in July of this year. See "OVERALL PLAN OF FINANCING" herein.

THE SERIES 1999 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 REVENUES DERIVED FROM A PORTION OF THE HOTEL OCCUPANCY TAX AS SPECIFICALLY DESCRIBED HEREIN) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE SERIES 1999 BONDS. SEE "SECURITY FOR THE SERIES 1999 BONDS" HEREIN.

[LOGO] Payment of the principal of and interest on the Series 1999 Bonds when due will be insured by a municipal bond guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the delivery of the Series 1999 Bonds. (See "BOND INSURANCE" herein).

MATURITY SCHEDULE

See Schedule on Inside of Cover Page

The Series 1999 Bonds are offered for delivery when, as, and if issued, subject to the opinion of the Attorney General of the State of Texas and Fulbright & Jaworski L.L.P., Bond Counsel, as to the validity of the issuance of the Series 1999 Bonds under the Constitution and laws of the State of Texas. Certain additional legal matters will be passed on for the Underwriters by McCall, Parkhurst & Horton L.L.P. It is expected that the Series 1999 Bonds will be delivered through the facilities of DTC on or about September 15, 1999.

Salomon Smith Barney

Apex Securities, Inc.
Estrada Hinojosa & Company, Inc.
Merrill Lynch & Co.
PaineWebber Incorporated

Dain Rauscher Incorporated
Legg Mason Wood Walker, Inc.
Morgan Stanley Dean Witter
Siebert Brandford Shank & Co., Inc.

Dated: August 26, 1999

MATURITY SCHEDULE
$58,695,000 Serial Bonds

Maturity	Amount	Rate	Yield	Maturity	Amount	Rate	Yield
2003	$ 1,000,000	4.40%	4.40%	2012	$ 3,050,000	5.750%	5.41%
2004	1,500,000	4.55	4.55	2013	3,215,000	6.000	5.46
2005	1,500,000	4.60	4.65	2014	3,390,000	6.000	5.51
2006	2,265,000	4.70	4.75	2015	3,580,000	6.000	5.56
2007	2,375,000	4.80	4.85	2016	3,775,000	6.000	5.61
2008	2,490,000	4.90	4.95	2017	3,985,000	5.625	5.65
2009	2,615,000	5.50	5.05	2018	4,210,000	5.625	5.68
2010	2,750,000	5.50	5.20	2019	4,445,000	5.625	5.71
2011	2,895,000	5.50	5.32	2020	4,695,000	5.625	5.74
				2021	4,960,000	5.625	5.76

$51,305,000 5.80% Term Bonds Due November 15, 2029 Priced to Yield: 5.82%

(plus accrued interest from September 1, 1999)

CITY OF AUSTIN

Elected Officials

		Term Expires June 15
Kirk Watson	Mayor	2000
Daryl Slusher	Councilmember Place 1	2002
Gustavo L. Garcia	Councilmember Place 2	2000
Jackie Goodman, Mayor Pro Tem	Councilmember Place 3	2002
Beverly Griffith	Councilmember Place 4	2002
William Spelman	Councilmember Place 5	2000
Willie C. Lewis	Councilmember Place 6	2000

Appointed Officials

Jesus Garza	City Manager
Marcia L. Conner	Assistant City Manager
Toby Futrell	Assistant City Manager
Jim Smith	Assistant City Manager
Betty Dunkerley, CPA	Director of Finance and Administrative Services
Andrew Martin	City Attorney
Shirley A. Brown	City Clerk

BOND COUNSEL

Fulbright & Jaworski L.L.P.
Austin and Dallas, Texas

SECURITIES COUNSEL

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

FINANCIAL ADVISOR

Public Financial Management
Austin, Texas

AUDITORS

KPMG LLP
Austin, Texas

For additional information regarding the City, please contact:

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Austin, Texas 78767
(512) 499-2450

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Public Financial Management
800 Brazos, South Tower
13th Floor
Austin, Texas 78701
(512) 472-7194

No dealer, broker, salesman or other person has been authorized by the City or by the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 1999 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE SERIES 1999 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

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

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

Not withstanding the foregoing, the Underwriters have conducted such due diligence as they deemed appropriate and have a reasonable basis to believe in the accuracy and completeness of the representations in the Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 1999 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1999 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

relating to

$110,000,000

City of Austin, Texas
Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds
Series 1999

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to set forth information in connection with the issuance and sale by the City of Austin, Texas (the "City") of its Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 1999, in the original aggregate principal amount of $110,000,000 (the "Series 1999 Bonds").

The Series 1999 Bonds are being issued pursuant to Article 717k and 1269j-4.1 Vernon's Texas Civil Statutes, as amended, and Chapter 334 of the Local Government Code, Vernon's Local Government Code Annotated, as amended (the "Act"), and other applicable laws of the State of Texas and an Ordinance of the City Council (the "Ordinance") adopted on August 26, 1999.

The Series 1999 Bonds and any Additional Bonds hereafter issued for refunding purposes (collectively, the "Parity Bonds") under the Ordinance, are special obligations of the City that are equally and ratably payable from and secured by a lien on the Pledged Revenues (as hereinafter described) such lien being junior and subordinate to the lien securing the payment of the Prior Lien Bonds now outstanding and hereafter issued. 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 of the Texas Tax Code, Vernon's Texas Codes Annotated, as amended, which is equal to al least 4.5% of the consideration paid by occupants of sleeping rooms furnished by hotels in which the cost of occupancy is $2.00 or more a day (the "4.5% HOT") and the Special Hotel Occupancy Tax levied pursuant to the Act, which equals 2% (the "2% HOT") 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 per day (the "Qualified Hotel Rooms"), 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 of any of the physical properties of the City or a security interest in the revenues of the Convention Center.

THE SERIES 1999 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 PLEDGED HOTEL OCCUPANCY TAX REVENUES) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE SERIES 1999 BONDS. SEE "SECURITY FOR THE SERIES 1999 BONDS - PLEDGE" HEREIN.

Solely for the purpose of refunding the Series 1999 Bonds, the Ordinance permits the issuance of additional bonds (the "Additional Bonds") which rank on a parity with the Series 1999 Bonds. See "SECURITY FOR THE SERIES 1999 BONDS - Additional Bonds" herein.

Payment of the principal of and interest on the Series 1999 Bonds when due will be insured by a municipal bond guaranty insurance policy to be issued by Ambac Assurance simultaneously with the delivery of the Series 1999 Bonds. See "BOND INSURANCE" herein.

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 City has previously privately placed with Salomon Smith Barney on an interim basis $25,000,000 of venue bonds and $85,000,000 of subordinate lien hotel tax bonds. The privately placed bonds will be refunded by the Series 1999 Bonds. See "OVERALL PLAN OF FINANCING" below.

OVERALL PLAN OF FINANCING

In 1998, the voters of the City of Austin, Texas approved a $135,000,000 Venue Project and authorized the imposition of an additional 2% Special Hotel Occupancy Tax (the "2% HOT") to finance the cost of such Venue Project and any bonds issued for such Venue Project. The Venue Project consists of expansion of the Austin Convention Center and the Waller Creek Project as more fully described under "THE CONVENTION CENTER AND VENUE PROJECT" herein. The City has delivered approximately $6,445,000 of Hotel Occupancy Tax Revenue Taxable Refunding Bonds, Series 1999 which together with the $75,955,000 Hotel Occupancy Tax Revenue Refunding Bonds, Series 1993A (collectively, the "Convention Center Bonds") will be payable from a first lien on a portion of the revenues (the "Pledged Hotel Occupancy Tax Revenues") derived by the City from its Hotel Occupancy Tax levied pursuant to Chapter 351, Tax Code, Vernon's Texas Code Annotated, as amended (the "Tax Act") which equals 4.5% of the consideration paid for Qualified Hotel Rooms (the "4.5% HOT"). The City has also delivered $25,000,000 Convention Center/Waller Creek Venue Project Bonds, Series 1999A (the "Venue Project Bonds") which have a first lien pledge of the Special Hotel Occupancy Tax authorized by the Act which is equal to 2% of the consideration paid for Qualified Hotel Rooms (the 2% HOT"). The Convention Center Bonds, together with any Additional Bonds issued on a parity basis pursuant to such ordinances and the Venue Project Bonds together with any additional bonds issued to refund the Venue Project Bonds are the "Prior Lien Bonds". The City also has privately placed two series of subordinate lien bonds, $25,000,000 Convention Center/Waller Creek Venue Project Bonds, Series 1999B which will have a subordinate pledge on the 2% HOT and $85,000,000 Hotel Occupancy Tax Subordinate Lien Revenue Bonds, Series 1999 which will have a subordinate lien pledge on the 4.5% HOT (collectively, the "Interim Subordinate Lien Bonds"). The Interim Subordinate Lien Bonds were privately placed with Salomon Smith Barney at a variable rate for sixty days at which time the rate goes to 10% or, if certain conditions are not met by the City, to 15%. The projected delivery date of the Series 1999 Bonds is within the sixty day period. The City may call the Interim Subordinate Lien Bonds at any time in the first sixty days after issuance and with thirty days notice thereafter at par plus accrued interest to such date. State law as interpreted by the Attorney General of Texas will only allow the joint subordinate lien pledge if the interim step is taken meeting certain constraints outlined by the Attorney General as to timing of sale and delivery.

After the refunding of the Interim Subordinate Lien Bonds, in addition to the Series 1999 Bonds outstanding, there will be approximately $81,000,000 of Convention Center Bonds payable from a first lien on the 4.5% HOT and the $25,000,000 of Venue Project Bonds payable from a first lien pledge of the 2% HOT. No revenues of the Convention Center will be pledged to any of such bonds. Additional Bonds may be issued on a parity with the Series 1999 Bonds for refunding purposes only. Obligations may be issued on a parity with the Convention Center Bonds and with a pledge of the 4.5% HOT subordinate to the Series 1999 Bonds. See " SECURITY FOR THE SERIES 1999 BONDS" herein.

USE OF FUNDS

The proceeds from the sale of the Series 1999 Bonds (which includes $359,061 of net original issue premium) will be applied as follows:

Interim Subordinate Lien Bond Redemption	$107,569,000

Underwriters' Discount	642,332
Costs of Issuance, including Bond Insurance Premium	
And Reserve Fund Surety Premium	2,147,729
Total	$110,359,061

DESCRIPTION OF THE SERIES 1999 BONDS

The Series 1999 Bonds will be dated September 1, 1999 and will bear interest from such date at the rates set forth on the cover page hereof, calculated on the basis of a 360-day year composed of twelve 30-day months, payable on May 15 and November 15 of each year, commencing May 15, 2000. The Series 1999 Bonds shall be issued solely as fully registered bonds in the principal amount of $5,000 or any integral multiple thereof.

Book-Entry-Only System

The City has elected to utilize the Book-Entry-Only System of DTC as described under this heading. The obligation of the City is to timely pay the Paying Agent the amount due under the Ordinance. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owners of the Series 1999 Bonds are as described herein.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 1999 Bonds. The Series 1999 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Series 1999 Bonds of each series in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 1999 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1999 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Series 1999 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 the Series 1999 Bonds, except in the event that use of the book-entry system for the Series 1999 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1999 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1999 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1999 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 1999 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1999 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 1999 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1999 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 1999 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1999 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Series 1999 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 1999 Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Series 1999 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 1999 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

DTC has established a Year 2000 Project Office and will provide information concerning DTC’s Year

2000 compliance to persons requesting such information. The address is as follows: The Depository Trust Company, Year 2000 Project Office, 55 Water Street, New York, NY 10041. Telephone numbers for the DTC Year 2000 Project Office are (212) 855-8068 and (212) 855-8881. In addition, information concerning DTC's Year 2000 compliance can be obtained from its website at the following address: WWW.DTC.ORG.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payment) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and to serve as a representation, warranty, or contract modification of any kind.

Redemption

Optional Redemption. The Series 1999 Bonds having stated maturities on and after November 15, 2010, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a stated maturity by lot by the Paying Agent/Registrar), on November 15, 2009 or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

Mandatory Redemption. The Series 1999 Bonds maturing in the year 2029 (the "Term Bonds") are issued as Term Bonds and will be subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter described) on November 15 of the following years, at a price equal to the principal amount redeemed plus accrued interest thereon to the mandatory redemption date, subject to the conditions described below:

Bonds due November 15, 2029

Year	Amount
2022	$ 5,190,000
2023	5,500,000
2024	5,825,000
2025	6,175,000
2026	6,545,000
2027	6,935,000

2028	7,350,000
2029*	7,785,000

*maturity

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of Term Bonds of such maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

Not less than thirty (30) days prior to a redemption date for the Series 1999 Bonds, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the City and at the City's expense, to the registered owner of each Series 1999 Bond to be redeemed in whole or in part at the address of the bondholder appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the bondholder.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Chase Bank of Texas, N.A. The City retains the right to replace the Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Series 1999 Bonds, the City will promptly cause written notice thereof to be given to each registered owner of the Series 1999 Bonds, which notice will also give the address of the new Paying Agent/Registrar. Any Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to act as and perform the duties of Paying Agent/Registrar for the Series 1999 Bonds.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date with respect to the Series 1999 Bonds means the close of business on the last business day of the month preceding each interest payment date. In the event of a non-payment of interest on the Series 1999 Bonds on one or more maturities on a scheduled 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 (the "Special Payment Date" 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 a bond of such maturity or maturities appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration

In the event the Book-Entry-Only System should be discontinued, both principal and interest on the Series 1999 Bonds shall be payable only to the registered owners appearing on the registration books of the Paying Agent/Registrar at the times and in the manner described herein and in the Ordinance. The ownership of the Series 1999 Bonds may be transferred and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration shall be at the expense of the City, except for any tax or other governmental charge with respect thereto. A Series 1999 Bond may be assigned by execution of an assignment form on the Series 1999 Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Series 1999 Bond or Series 1999 Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owner) in exchange for such transferred and assigned Series 1999 Bonds not more than three days after receipt of the Series 1999 Bonds to be transferred in proper form. Such new Series 1999 Bond or Series 1999 Bonds must be in the denomination of $5,000 or any integral multiple thereof within a maturity.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer any Series 1999 Bond called for redemption within 45 days of the dated fixed for redemption of the Series 1999 Bonds; such limitation on transfer is not applicable to an exchange by a bond holder of the unredeemed balance of the Series 1999 Bond called for redemption in part.

Owners' Remedies

The Ordinance provides that it constitutes a contract between the City and the registered owners of the Series 1999 Bonds from time to time outstanding and that the Ordinance is and remains irrepealable until the principal of, premium, if any, and interest on the Series 1999 Bonds is fully paid or discharged or provision therefor shall have been made as provided in the Ordinance. In the event of a default in the payment of the principal of, premium, if any, or interest on any of the Series 1999 Bonds or a default in the performance of any duty or covenant provided by law or in the Ordinance, the registered owner or owners of any of the Series 1999 Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided in the Ordinance that any registered owner of any of the Series 1999 Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Ordinance, including the application of the Pledged Revenues in the manner required in the Ordinance; provided, however, that the registered owners of the Series 1999 Bonds shall never have the right to demand payment of the principal of, premium, if any, or interest on the Series 1999 Bonds out of any funds raised or to be raised by taxation, other than the Pledged Hotel Occupancy Tax Revenues.

Defeasance

The Ordinance provides that the City may discharge its obligation to the registered owners of any or all of the Series 1999 Bonds to pay principal, premium, if any, and interest thereon, by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement to which the Paying Agent/Registrar is a party, cash and/or direct obligations of, or obligations the principal and interest of which are guaranteed by the United States of America in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount of such Series 1999 Bonds plus interest thereon to the date of maturity. Upon such deposit, such Series 1999 Bonds shall no longer be regarded to be Outstanding. In case any Series 1999 Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar irrevocable instruction to give notice of redemption of Series 1999 Bonds to be so redeemed in the manner required in the Ordinance. For any Series 1999 Bonds not to be redeemed or paid in full within the next succeeding sixty (60) days from the date of deposit provided for, the City shall give the Paying

Agent/Registrar in form satisfactory to it irrevocable instructions to mail, by first class mail, a notice to the Owner of each such Series 1999 Bond that the deposit required has been made and that said Series 1999 Bonds are deemed paid and stating such maturity or redemption date upon which moneys are to be available for the payment hereof.

Amendments

Alteration of Rights and Duties. The rights duties and obligations of the City and the registered owners of the Series 1999 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 Series 1999 Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that such action shall not adversely affect the interests of the Owners of the Series 1999 Bonds; (ii) to change the terms or provisions of the Ordinance to the extent necessary to prevent the interest on the Series 1999 Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes; (iii) to grant to or confer upon the Owners of the Series 1999 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 thereof relating to the issuance of Subordinate Lien Bonds, including Variable Rate Obligations, or the incurrence of and security for Reimbursement Obligations or the definition of Variable Rate Obligations provided such amendment does not cause any reduction in any rating assigned to the Series 1999 Bonds by any major municipal securities evaluation services then rating the Series 1999 Bonds; and (vi) to subject to the lien and pledge of the Ordinance additional Pledged Revenues, provided such amendment does not cause any reduction in any rating assigned to the Series 1999 Bonds by any major municipal securities evaluation service then rating the Series 1999 Bonds.

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 Series 1999 Bonds, only with the consent of the registered owner or owners of not less than 66-2/3% of the aggregate unpaid principal amount of the Series 1999 Bonds then outstanding and affected by such 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 issued under the Ordinance, or (b) a reduction in the principal amount of any Bond or the rate of interest on any Bond, or (c) a privilege or privily 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 such amendment.

SECURITY FOR THE SERIES 1999 BONDS

Pledge

The Series 1999 Bonds and any Additional Bonds hereafter issued for refunding purposes under the Ordinance, are special obligations of the City that are equally and ratably payable from and secured by a lien on the Pledged Revenues (as hereinafter described) such lien being junior and subordinate to the lien securing the payment of the Prior Lien Bonds now outstanding and hereafter issued. 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 of the Texas Tax Code, Vernon's Texas Codes Annotated, as amended, which is equal to at least 4.5% of the consideration paid by occupants of sleeping rooms furnished by hotels in which the cost of occupancy is $2.00 or more a day (the "4.5% HOT") and the Special Hotel Occupancy Tax levied pursuant to the Act, which equals 2% (the "2% HOT") 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 per day (the "Qualified Hotel Rooms"), 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 of any of the physical properties of the City or a security interest in the revenues of the Convention Center.

The City further covenants and represents in the Ordinance that the Pledged Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City. Additional Prior Lien bonds and Subordinate Lien Bonds may be issued if certain tests are met. See "SECURITY FOR THE BONDS-Additional Prior Lien Bonds/Subordinate Lien Bonds" below.

The City, pursuant to the Ordinance, further grants a first lien on the Bond Fund and the Reserve Fund to secure the payment of principal of, premium, if any, and interest on the Series 1999 Bonds. The City does not grant any lien on or security interest in, or any mortgage of any of the physical properties or revenues of the City. See "SECURITY FOR THE SERIES 1999 BONDS - Funds and Flow of Funds" herein.

THE SERIES 1999 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 PLEDGED HOTEL OCCUPANCY TAX REVENUES) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE SERIES 1999 BONDS.

Levy of Hotel Occupancy Tax

The City has levied, and while any Bonds remain Outstanding the City 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 a 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 in the Ordinance that it shall enforce the provisions of this Ordinance, or any other ordinance levying a Hotel Occupancy Tax, concerning the collection, remittance and payment of the Hotel Occupancy Tax. In addition, the City has levied, and while any Bonds remain Outstanding the City 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 a day, at a rate of at least 2% of the consideration paid by the occupant of the sleeping room to the hotel, to finance the costs of the Convention Center/Waller Creek Venue Project, all as authorized by V.T.C.A. Local Government Code, Chapter 334, particularly Subchapter H and an election held in the City on May 2, 1998. The City further covenants that it shall enforce the provisions of the Ordinance and any other ordinance levying a Special Hotel Occupancy Tax, concerning the collection, remittance and payment of the Special Hotel Occupancy Tax.

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 levied is $.07 per dollar. In addition, an additional $.02 per dollar has been collected since August 1, 1998 as the Special Hotel Occupancy Tax. See "OVERALL PLAN OF FINANCING" herein.

Funds and Flow of Funds

Hot Occupancy Tax Special Funds. In accordance with the ordinances authorizing the issuance of the Prior Lien Bonds payable from and secured by a lien on and pledge of the Hotel Occupancy Tax Revenues, the following special funds and accounts have been created, established and shall be maintained while any of the Prior Lien Bonds remain Outstanding:

(1) Convention Center Hotel Occupancy Tax Fund ("Tax Fund");

(2) Convention Center Hotel Occupancy Tax Bond Debt Service Fund ("Debt Service Fund"); and

(3) Convention Center Hotel Occupancy Tax Bond Debt Service Reserve Fund ("Debt Service Reserve Fund").

Special Hotel Occupancy Tax Special Funds. In accordance with the ordinances authorizing the issuance of the Prior Lien Bonds payable from and secured by a lien on and pledge of the Special Hotel Occupancy Tax, the City confirms the establishment of the Venue Project Fund maintained at an official depository of the City for the Convention Center/Waller Creek Venue Project in accordance with Section 334.042 of the Venue Act and pursuant to ordinance and the establishment of the following sub-accounts within such Venue Project Fund on the books of the City for the benefit of such Prior Lien Bonds , to wit:.

(1) Convention Center/Waller Creek Venue Project Special Hotel Occupancy Tax Account ("Tax Account");

(2) Convention Center/Waller Creek Venue Project Bond Debt Service Account ("Debt Service Account"); and

(3) Convention Center/Waller Creek Venue Project Bond Debt Service Reserve Account ("Debt Service Reserve Account").

Such funds and accounts identified above and herein may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, provided such accounts or subaccounts are not inconsistent with the ordinance authorizing the issuance of the Prior Lien Bonds and the Ordinance.

Special Funds for Subordinate Lien Bonds. For the benefit of the Holders of the Parity Bonds, the City covenants to establish and maintain the following special funds or accounts:

(1) Subordinate Lien Hotel Occupancy Tax Debt Service Fund (the "Bond Fund") for the payment of the principal of and interest on the Parity Bonds when and as the same shall become due and payable, and

(2) Subordinate Lien Hotel Occupancy Tax Debt Service Reserve Fund (the "Reserve Fund") to provide a reserve amount to pay the principal of and interest on the Parity Bonds when funds in the Bond Fund are insufficient

The Bond Fund and Reserve Fund may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, provided such accounts or subaccounts are not inconsistent with the provisions of the Ordinance.

Flow of Funds

Flow of Funds regarding Hotel Occupancy Tax Revenues. The City covenants and agrees all Pledged Hotel Occupancy Tax Revenues shall be deposited as received into the Tax Fund. Moneys 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 Debt Service Fund required by the ordinance authorizing the issuance of the Prior Lien Bonds.

Second, to transfer all amounts to the Debt Service Reserve Fund required by the ordinance authorizing the issuance of the Prior Lien Bonds.

Third, to transfer all amounts necessary to provide for the payment of Parity Bonds (including payments for restoring the Reserve Fund Surety Bond held for the Reserve Fund as provided in the Ordinance, or to provide reserves for such payment, as may be required by the Ordinance.

Fourth, for any lawful purpose.

Flow of Funds regarding Special Hotel Occupancy Tax. The City covenants and agrees all receipts and revenues collected and received by the City from the Special Hotel Occupancy Tax shall be deposited to the credit of the Venue Project Fund and more particularly to the credit of the Tax Account. Following the issuance of the Bonds and while the Bonds remain Outstanding, moneys from time to time credited to the Tax Account shall be applied as follows in the following order of priority:

First, to transfer all amounts to the Debt Service Account required by the ordinance authorizing the issuance of the Prior Lien Bonds.

Second, to transfer all amounts to the Debt Service Reserve Account required by the ordinance authorizing the issuance of the Prior Lien Bonds.

Third, to transfer all amounts to the Bond Fund and Reserve Fund in the manner and to the extent required by the Ordinance.

Fourth, to pay the costs of operating or maintaining the Convention Center/Waller Creek Venue Project.

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 in the Ordinance that prior to each interest payment date, stated maturity date and mandatory redemption date for the Bonds there shall be deposited into the Bond Fund from the Pledged Revenues, an amount equal to one hundred percentum (100%) of the amount required to fully pay the amount then due and payable on the Bonds, and such deposits to pay the Bonds at maturity or redemption, as the case may be, and accrued interest thereon shall be made in substantially equal quarterly installments (based on the total annual Debt Service Requirements to be paid on the Bonds 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 in the Ordinance 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 Bonds in accordance with their terms, including without limitation, all fees charged or incurred by the Paying Agent/Registrar and for trustee services rendered in connection with the Bonds.

Moneys credited to the Bond Fund shall be used solely for the purpose of paying 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 the Parity Bonds, plus all Paying Agent/Registrar charges and other costs and expenses relating to such payment, including those described above. On or before each principal and/or interest payment date on the Parity Bonds, the City shall transfer from the Bond Fund to the appropriate paying agent/registrar amounts equal to the principal, interest and redemption premiums payable on the Parity Bonds on such date.

Reserve Fund

The City shall establish and maintain a balance in the Reserve Fund equal to the Reserve Fund Requirement for the Parity Bonds. The Reserve Fund Requirement shall initially be funded at the time of issuance and delivery of the Bonds by a Surety Bond issued by an insurance company or other entity that is rated either for the long term unsecured debt of the issuer of such Surety Bond or for obligations insured, secured or guaranteed by such issuer have a rating in the highest letter category by two major municipal securities evaluation services.

In 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 such 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 such amounts as shall be necessary to reestablish in the Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Reserve Fund Surety Bond. After such amount has been accumulated in the Reserve Fund and after satisfying any repayment obligation to any Reserve Fund Surety Bond issuer and so long thereafter as such 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 in such fund shall 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 such reimbursement obligations.

The Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds 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 be used to make the final payments for the retirement or defeasance of the Parity Bonds.

Deficiencies in Funds or Accounts

If on any Transfer Date there shall not be transferred into any fund or account maintained pursuant to this Article the full amounts required herein, amounts equivalent to such deficiency shall be set apart and transferred to such fund or account from the first available and unallocated Pledged Revenues, and such transfer shall be in addition to the amounts otherwise required to be transferred to such fund or account on any succeeding Transfer Date or Dates.

Investment of Funds; Transfer of Investment Income

Money in all funds shall, at the option of the City, be invested in the manner provided by Texas law; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. Moneys in such funds may be subjected to further investment restrictions imposed from time to time by ordinances authorizing the issuance of Prior Lien Bonds and the Parity Bonds. All such 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 such funds 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 deemed to be a loss of the segregation of such money or funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such funds are held by or on behalf of each such fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

All interest and income derived from deposits and investments credited to the Bond Fund and Reserve Fund shall remain a part of the fund from which such investment was made, and such investment interest and income shall reduce by like amount any required transfer to such Funds from the Pledged Revenues, provided that at any time when the Reserve Fund has on deposit an amount in excess of the Reserve Fund Requirement, all investment interest and income received on any investment of funds in such fund shall be deposited to the credit of the Bond Fund.

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 such 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

Save and except for refunding bonds issued to refund all or part of the Bonds, the City covenants that no additional bonds will be issued by the City payable from and secured by a parity lien on and pledge of the Pledged Revenues.

Refunding Bonds

The City expressly reserves the right to issue refunding bonds to refund the Series 1999 Bonds or refunding bonds previously issued to refund the Series 1999 Bonds; provided the maximum annual and the average annual Debt Service Requirements for all Parity Bonds to be Outstanding in any Fiscal Year after the issuance of such refunding bonds will not exceed (1) the maximum annual for all Parity Bonds Outstanding in any Fiscal Year prior to the issuance of such refunding bonds and (2) the average annual Debt Service Requirement for all Parity Bonds Outstanding at the end of the last completed Fiscal Year prior to the issuance of such refunding bonds.

Additional Prior Lien Bonds/Subordinate Lien Bonds

In regard to the Pledged Hotel Occupancy Tax Revenues, the City reserves and retains the right to issue or incur additional obligations secured in whole or in part by a parity first lien on such Pledged Hotel Occupancy Tax Revenues or by a lien junior and subordinate to the lien on such Pledged Hotel Occupancy Tax Revenues securing payment of the Parity Bonds; provided, however, that no such Prior Lien Bonds or Subordinate Lien Bonds shall be issued unless the following conditions satisfied: (1) The City's Director of

Finance and Administrative Services (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 recent 18 months preceding the month the ordinance authorizing the issuance of the Prior Lien Bonds or Subordinate Lien Bonds is adopted (the "Coverage Period"), (A) the Pledged Hotel Occupancy Tax Revenues for the Coverage Period are equal to at least 130% 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 Prior Lien Bonds, if any, proposed to be issued, and deducting from the maximum annual Debt Service Requirement for such Prior Lien Bonds and Parity Bonds an amount equal to the revenues received from the Special Hotel Occupancy Tax for the Coverage Period and (B) the "Net Pledged Hotel Occupancy Tax Revenues" for the Coverage Period (i.e., the Pledged Hotel Occupancy Tax Revenues after deducting an amount equal to the maximum annual Debt Service Requirement applied in satisfying the coverage requirement in clause (A) above), together with any other revenues pledged in whole or in part to the payment of any Subordinate Lien Bonds, are equal to at least 130% of the maximum annual Debt Service Requirement on all Subordinate Lien Bonds then Outstanding and scheduled to occur in the then current or any future Fiscal Year after giving effect to the issuance of the Subordinate Lien Bonds then being issued, if any; provided, however, at such time as the Bonds are no longer Outstanding, the coverage requirement in clause (A) above shall be reduced to 125% and the coverage requirement of clause (B) shall be reduced to 100%; and (2) provision is made in the ordinance authorizing issuance of the Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, for the complete funding of any reserves for payment of principal of and interest on such Prior Lien Bonds or Subordinate Lien Bonds as of the initial delivery thereof.

In determining the Pledged Hotel Occupancy Tax Revenues to satisfy the coverage requirements of condition (1) above, the City may take into consideration an increase in the portion of the Pledged Hotel Occupancy Tax Revenues pledged and dedicated to the payment of Prior Lien Bonds or Subordinate Lien Bonds, or both, 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 such increased portion of the Pledged Hotel Occupancy Tax Revenues pledged and dedicated to the payment of the Prior Lien Bonds or Subordinate Lien Bonds, or both, being in effect for the entire Coverage Period. Additionally, such "Prior Lien Bonds" or "Subordinate Lien Bonds" may bear any name or designation provided by the ordinance authorizing their issuance and be issued and such form and manner as may be authorized by law. Furthermore, such Prior Lien Bonds or Subordinate Lien Bonds may be secured by any other source of payment lawfully available for such purposes, including a Reimbursement Obligation. Any Reimbursement Obligation may be pari passu with the Prior Lien Bonds or Subordinate Lien Bonds secured thereby. No default with respect to a Subordinate Lien Bond shall constitute a default under the Ordinance.

Reimbursement Obligation

The City may enter into a Reimbursement Obligation in connection with any Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, only if the aggregate principal amount of the City's obligations under any such Reimbursement Obligation, as measured at the time that the City must make a payment thereunder, would satisfy the test for the issuance of Prior Lien Bonds or Subordinate Lien Bonds contained in the Ordinance as if such Reimbursement Obligation was being issued as a Prior Lien Bond or Subordinate Lien Bond under this Ordinance.

BOND INSURANCE

The Information contained or referred to in this Official Statement relating to Ambac Assurance (the "Insurer") has been provided by such insurer. Reference is made to Appendix F for a specimen of the Insurer's policy.

Payment Pursuant to Municipal Bond Insurance Policy

Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Series 1999 Bonds effective as of the date of issuance of the Series 1999 Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 1999 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Series 1999 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 1999 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 1999 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 1999 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 1999 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Series 1999 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 1999 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately **$3,463,000,000** (unaudited) and statutory capital of approximately **$1,970,000,000** (unaudited) as of **March 31, 1999.** Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and filed on March 30, 1999;

2. The Company's Current Report on Form 8-K dated March 24, 1999 and filed on March 24, 1999;

3. The Company's 1999 Proxy Statement dated March 30, 1999 and filed on March 30, 1999; and

4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1999 and filed on May 12, 1999.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in **"Available Information".**

Ambac Assurance Year 2000 Readiness Disclosure

Year 2000 Readiness Disclosure. Ambac Assurance's parent corporation, Ambac Financial Group, Inc. (the "Company"), is addressing the issue of computer programs' and embedded chips' ability to distinguish between the year 1900 and the year 2000, commonly known as the Y2K problem. The Company is assessing the risks to its businesses (including Ambac Assurance) related to the functionality of its own computer systems and those of third parties. Year 2000 readiness disclosure for the Company is set forth in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Company's 1998 Annual Report to Shareholders (incorporated by reference into the Company's Annual Report on Form 10K for fiscal year ended December 31, 1998 filed with the Securities and Exchange Commission on March 30, 1999). Such information is specifically incorporated by reference herein. The Company is using internal and external resources and estimated its Y2K project costs to be $1.1 million, all of which was charged to 1998 operating expense. With respect to Ambac Assurance, the plan was completed on March 31, 1999 and consisted of three phases: (1) assessment and impact analysis (including inventory and code scanning), (2) testing and review, and (3) remediation. Although there are no indications that Ambac Assurance's internal systems will be non-compliant, management is in the process of developing contingent procedures in the event its critical systems should fail.

A potential exposure to Ambac Assurance is the failure by any insured issuer to make debt service payments due to an issuer's systems failure. An issuer's failure to make debt service payments due to Y2K related systems failures could result in a claim under an Ambac Assurance insurance policy. In such event, Ambac Assurance would utilize its sources of liquidity to pay claims. Ambac Assurance would expect full recovery of such claims when Y2K problems are resolved.

No assurance is made regarding the ultimate outcome of the Company's plan, and external failures (such as failures affecting securities exchanges or funds and securities clearing organizations) could have a material adverse impact on the operations of the Company and its subsidiaries, including Ambac Assurance.

THE CONVENTION CENTER AND VENUE PROJECT

The Facilities. The Convention Center is located at 500 East Cesar Chavez Street, Austin, Texas on four 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 early July of 1992. In June of 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. Three Exhibit Halls, one Ballroom, twenty-nine Meeting Rooms and several Show Offices are contained in the Austin Convention Center and house 174,456 square feet of combined enclosed space. In addition, the Convention Center has complete kitchen facilities and support space. In addition, the City owns and operates Palmer Auditorium and the Coliseum as a part of the Convention Center. Palmer Auditorium and the Coliseum are located on Barton Springs Road next to Town Lake and are utilized for arts and crafts shows, concerts, trade shows and small conventions. Although they are utilized at near capacity levels, the facilities currently operate at an annual deficit. The Coliseum contains approximately 65,000 square feet and Palmer Auditorium has approximately 66,500 square feet. The University of Texas at Austin also has a facility, the Erwin Center, suitable for concerts and is also used for the circus and Ice Capades. 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 ("ACVB"). ACVB is now a separate entity.

The Convention Center Expansion Project. The Austin Convention Center Expansion Project is to be constructed as a contiguous addition on the north side of the existing facility. The total area of the addition will be approximately 418,000 square feet. The addition is anticipated to be comprised of approximately 127,000 square feet of exhibition space, 30,000 square feet of meeting room space, and approximately 45,000 square feet of ballroom space together will complete kitchen facilities and other support spaces. Land acquisition and demolition is already completed. Although there can be no assurance, it is anticipated that construction will commence in September 1999 and that the new facilities will be placed into service in the spring of 2002. The proceeds of the venue bonds together with internally generated funds available may limit the size of the expansion and its completion date. Contracts have not been let for the expansion. The Austin Collaborative Venture is the Architectural/Engineering team for the Convention Center Expansion and is a coalition of firms headed by PageSoutherlandPage and consists of the following: (a) PageSoutherlandPage is one of the oldest and largest Architectural/Engineering firms in Austin, its longstanding experience in civic architecture is exemplified in such Austin landmarks as the State Capitol interiors, the Travis County Courthouse, and the existing Austin Convention Center, Phase One; (b) Lawrence W. Speck Associates is a nationally recognized design firm frequently noted for its responsiveness to site requirements, the firm principal, Lawrence W. Speck, has earned a reputation as the "leading living proponent of Texas regional architecture;" (c) Wilbur Smith and Associates is one of the largest and most respected transportation engineering firms in the United States, the firm brings direct experience in dealing with public assembly traffic requirements in developing urban contexts as well as direct experience with traffic planning in downtown Austin, having produced the central business district traffic masterplan for the City in 1985; and (d) Cotera, Kolar & Negrete is the largest, and one of the oldest, minority-owned architectural firms in Austin, one of the principals, Juan Cotera, has a record of involvement in urban design and architectural issues, both in the minority community and in a broader context.

Gilbane Building Company, the Construction Project Manager, is a privately-held company which was founded in 1873. In 1998 it was the nation's 5th largest domestic general building contractor according to Engineering News Record with more than 1,000 employees in addition to its variable labor force. Active in commercial, industrial, institutional governmental, and residential markets, some of the company's comparable projects include: The Austin Convention Center Phase I; Houston's George R. Brown Convention Center; the Providence, Rhode Island Convention Center; and the Baltimore, Maryland Convention Center.

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 of Austin. The lower Waller Creek traverses the downtown area. The 100-year floodplain of the lower Waller Creek is up to 80 feet wide and has restricted development. The City of Austin has long been interested in improving flood control and providing water-quality enhancements to the lower Waller Creek Watershed.

The City of Austin has conducted several flood management and water-quality enhancement studies of the Waller Creek watershed. The reports indicated a stormwater bypass tunnel with surface-level structures and a recirculation system would meet the City's flood protection, environmental and cost objectives. The final planning of the project is now underway. On May 2, 1998 Austin voters approved the project and its financing. The project will be financed 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. A total of $25 million is authorized for the Waller Creek Flood Control project. The project has multiple objectives including flood-control, water-quality enhancement, ease of operation and maintenance, cost-effective and aesthetically pleasing aboveground structures. Preliminary studies indicate the project will consist of 5,500 feet of nominal 22 feet diameter bypass tunnel, a diversion structure, inlet and outlet structures and a recirculating pump system. Stormwater will be intercepted at Waterloo Park below 15th Street with discharge into Town Lake. Two tunnel alignments are under final consideration-one under Trinity Street and the other under Red River Street. At the completion of the project, the 100-year storm event flow is to be contained within the existing creek channel downstream of the inlet structure. 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 completed project will be operated and maintained by the Watershed Protection Department of the City of Austin. The Department is responsible for flood and erosion control and water quality enhancement in the City of Austin'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 forces, the forces 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.

Project Engineer. The Brown & Root/Espey Padden joint venture includes the following firms and will provide planning, engineering and construction management for the project. Brown & Root, Inc. of Houston is the managing firm of the joint venture. The firm was established in 1929 and is one of the largest engineering and construction firms in the nation. The firm has significant tunneling experience in Texas, other states and internationally. Espey, Padden Consultants, Inc. is a joint-venture member. This is a local civil engineering firm specializing in water resources engineering. The principals of the firm have pursued their professional careers in Austin and possess significant local-conditions expertise. Jenny Engineering Corporation of Springfield, New Jersey will provide tunnel designs and tunnel construction management expertise to the joint venture. This firm is internationally recognized for its tunnel engineering accomplishments. Graeber, Simmons & Cowan Inc. is the project architectural services firm. The firm will design the architectural features of the inlet and outlet structures. The firm is among the largest architectural practices in Austin and has completed numerous civic, institutional and commercial projects. Fugro South, Inc. will provide geotechnical engineering and testing services to the joint venture. The firm has an international reputation in these fields. A team of recognized experts will review and critique the planning, design and construction management of the project. The team will include Mr. Al Matthews (tunnel design and construction), Harvey Parker, PhD. (geotechnical engineering), Edward Holley, PhD. (hydraulics) and Richard Stockstill, PhD. (screen design). CFX, Inc. of Austin will provide structural engineering services to the joint venture. Ramon Carassquillo, PhD. is a principal of the firm and a civil engineering professor at the University of Texas. Alden Research Laboratory of Holden, Massachusetts will prepare and test physical models of the inlet and outlet structures as necessary.

The City will contract with the Brown & Root/Espey Padden joint venture for construction management services. The project will be built through contracts bid by the City of Austin. No contracts have been let to date and the final project could be limited by the availability of funds. The joint venture will manage the activities of the third-party contractors.

CONSULTANT'S REPORT

The City has engaged C.H. Johnson Consulting, Inc. ("Johnson Consulting") to project future amounts of revenue from Hotel Tax collections in the City. Johnson Consulting is a real estate consulting firm with specialized knowledge in convention centers and experience in performing tax projections. The report (the "Consultant's Report") presents the results of the Hotel Tax analysis performed for the purpose of determining the availability of revenue to repay the bonds, and should only be used for the purpose for which it was developed. The Consultant's Report includes: (1) an economic overview of the greater metropolitan Austin area, (2) a summary of the analysis of the Austin hotel market relevant to Hotel Tax collection; (3) a summary of the history of the Hotel Taxes and projections of Hotel Tax revenue; and (4) a determination of whether sufficient revenues are available to meet the debt service requirements.

Reference made herein to the Consultant's Report are made to the entire Consultant's Report included as Appendix B to this Official Statement, which contains material information, findings, assumptions and conclusions. The Consultant's Report should be read in its entirety.

The Consultant's Report is limited in scope and presents the results of the Hotel Tax analysis performed for the purpose of determining the availability of revenue to pay the Prior Lien Bonds and the Bonds. Tables 4-1 and 4-2 of the Consultant's Report project available tax revenue and compute projected coverage ratios. However, any projection is subject to uncertainties. Inevitably, some assumption will not be realized, and unanticipated events and circumstances may occur. The projections are also subject to certain risks including, but not limited to those described in Section 4 of the Consultant's Report which include (i) general market risk; (ii) inflation risk; (iii) hotel development outside City limits; (iv) future growth of information technology industries; (v) sensitivity of business travel to changes in economic conditions; (vi) long term future of business travel; (vii) long term trend in the meetings industry; and (viii) construction completion risk.

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DEBT SERVICE REQUIREMENTS

Date	Outstanding Series 1993A Debt Service	Series 1999 Taxable Refunding Debt Service	Total Prior Lien 4.5 Cent HOT Debt Service	$25,000,000 Series 1999A Waller Creek Debt Service	$110,000,000 Sub Lien RF, Series 1999 Convention Ctr Debt Service	Total Debt Service Payable From 4.5 & 2.0 Cent Revenues
9/30/2000	$ 5,567,359	$ 995,883	$ 6,563,242	$ 1,216,829	$ 4,389,101	$ 5,605,930
9/30/2001	5,569,744	1,173,334	6,743,078	1,327,450	6,220,774	7,548,224
9/30/2002	5,565,109	1,175,433	6,740,541	1,327,450	6,220,774	7,548,224
9/30/2003	5,568,956	1,177,135	6,746,091	1,327,450	6,220,774	7,548,224
9/30/2004	5,570,639	1,178,594	6,749,233	1,747,775	7,198,774	8,946,549
9/30/2005	5,569,709	1,179,300	6,749,009	1,752,635	7,642,649	9,395,284
9/30/2006	5,571,253	1,179,045	6,750,298	1,755,890	7,574,024	9,329,914
9/30/2007	5,570,401		5,570,401	1,757,490	8,251,296	10,008,786
9/30/2008	5,575,806		5,575,806	1,757,385	8,251,069	10,008,454
9/30/2009	5,576,031		5,576,031	1,760,400	8,248,064	10,008,464
9/30/2010	5,572,156		5,572,156	1,761,650	8,240,146	10,001,796
9/30/2011	5,573,016		5,573,016	1,761,245	8,227,609	9,988,854
9/30/2012	5,577,744		5,577,744	1,763,888	8,217,371	9,981,259
9/30/2013	5,572,991		5,572,991	1,764,418	8,205,071	9,969,489
9/30/2014	5,573,372		5,573,372	1,767,488	8,185,934	9,953,421
9/30/2015	5,573,247		5,573,247	1,768,113	8,162,784	9,930,896
9/30/2016	5,576,975		5,576,975	1,766,638	8,143,684	9,910,321
9/30/2017	5,574,044		5,574,044	1,767,931	8,118,034	9,885,965
9/30/2018	5,573,941		5,573,941	1,766,863	8,102,706	9,869,568
9/30/2019	5,575,897		5,575,897	1,763,431	8,097,221	9,860,653
9/30/2020	5,574,272		5,574,272	1,767,375	8,088,799	9,856,174
9/30/2021				1,762,250	8,081,737	9,843,987
9/30/2022				1,762,850	8,075,190	9,838,040
9/30/202				1,760,150	8,015,180	9,775,330

3			
9/30/2024	1,754,150	8,015,170	9,769,320
9/30/2025	1,754,575	8,011,745	9,766,320
9/30/2026	1,751,150	8,013,745	9,764,895
9/30/2027	1,743,875	8,014,865	9,758,740
9/30/2028	1,742,475	8,013,945	9,756,420
9/30/2029	1,736,675	8,014,680	9,751,355
9/30/2030	1,731,338	8,010,765	9,742,103

INVESTMENTS

The City of Austin invests its available funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

Legal Investments

Under Chapter 2256, Texas Government Code (The Public Funds Investment Act), the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) bankers' acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, is eligible collateral for borrowing from a Federal Reserve Bank and is accepted by a domestic bank whose short-term obligations are rated at least A-l, P-l, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated; (6) commercial paper with a stated maturity of 270 days or less from the date of its issuance that either (a) is rated not less than A- 1, P- 1, or the equivalent by at least two nationally recognized credit rating agencies; or, (b) is rated at least A- 1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof; (7) fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by the City, and having a market value of no less than the principalamount of the funds disbursed, (the term includes direct security repurchase agreements and reverse security repurchase agreements and the term of any reverse repurchase agreement may not exceed 90 days after the reverse security repurchase agreement is delivered; money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investment acquired must mature not later than the expiration date stated in the reverse security repurchase agreement); (8) certificates of deposit issued by state and national banks domiciled in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the City; (9) certificates of deposit issued by savings and loan associations domiciled in Texas that are (a) guaranteed or insured by the Federal Savings and Loan Insurance Corporation or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits of the City; (10) share certificates issued by a state or federal credit union domiciled in Texas that are (a) guaranteed or insured by the National Credit Union Share Insurance Fund or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits of the City; (11) SEC-regulated, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of 90 days or less and whose investment objectives include seeking to maintain a stable net asset value of $1 per share, (excluding bond proceeds, no more than 80% of the City's monthly average fund balance may be invested in money market mutual funds and excluding bond proceeds, the City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund); and (12) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas; Government Act) as amended, whose assets consist exclusively of the obligations that are described by 1-9 l above. A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service.

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

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

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "'Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority of the City Council or the Director of Financial Services.

Additional Provisions

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

Current Investments

As of June 30, 1999, the City's investable funds were invested in the following categories:

Type of Investment:	Percentage:
U.S. Treasury Notes	40.6 %
U.S. Treasury Strips	0.0
U.S. Agencies	39.4
Commercial Paper	8.9
Repurchase Agreements	0.0
Money Market Funds	0.8
Local Government Investment Pools	10.3

The dollar weighted average maturity for the combined City investment portfolios is 1.82 years. The City of Austin prices the portfolios daily utilizing a market pricing service.

TAX EXEMPTION

The delivery of the Series 1999 Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Series 1999 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 statute, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on all tax-exempt obligations, including 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 Series 1999 Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series 1999 Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Series 1999 Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Series 1999 Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Series 1999 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 would cause interest on the Series 1999 Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Series 1999 Bonds.

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.

Tax Accounting Treatment of Discount and Premium Bonds

The initial public offering price to be paid for certain maturities of the Series 1999 Bonds (the "Discount Bonds") may be less than the principal amount payable on such Series 1999 Bond 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 principal amount payable at maturity constitutes interest to the initial purchaser of such Discount Bond. A portion of such interest, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes. 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 his taxable 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.

In the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by the 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 for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning 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 maturities of the Bonds (the "Premium Bonds") may be greater than the amount payable on the Bonds at maturity (the "Premium Bonds"). 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 each purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors to determine the 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.

GENERAL

Ratings

The City has not applied for an underlying rating of the Series 1999 Bonds from any rating agency. The City anticipates that Standard & Poor's Rating Group and Moody's Investors Service will assign their municipal bond ratings of "AAA" and "Aaa", respectively, to the Series 1999 Bonds with the understanding that upon delivery of the Series 1999 Bonds, a municipal bond guaranty insurance policy insuring the timely payment of the principal of and interest on the Series 1999 Bonds will be issued by Ambac Assurance. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 1999 Bonds.

Legal Investments in Texas

Section 9 of the Bond Procedures Act of 1981, Article 717k-6, Vernon's Texas Civil Statutes, as amended, which applies to the Bonds, provides:

> Said bonds are eligible to secure deposits of any public funds of the state or any political subdivision or public agency of the state, and are lawful and sufficient security for the deposits to the extent of their market value, when accompanied by any unmatured coupons attached to the bonds.

Year 2000 Issues

In July 1996, the City commenced a comprehensive project to deal with its Year 2000 issues with a target date for compliance of December 31, 1998 to allow for testing on January 1, 1999 and to have an additional year's worth of processing in 1999 to increase success during 2000 and beyond. The City is continuing to implement this plan which includes the operating and billing systems of the Utility Systems. The City has completed various phases of the comprehensive Y2K plan and plans on being 100% compliant by September 1, 1999. In addition, the City is working on implementing detailed contingency measures.

All of the City's outstanding debt is DTC eligible and a substantial amount has been issued under the Book-Entry-Only System of DTC. See "Description of the Bonds - Book-Entry-Only System" herein. None of the outstanding Utility Systems debt or the City's general obligation debt involves a January 1 interest payment or principal maturity date. Some defeased debt payable from escrowed government securities have a January 1, 2000 payment date. The City's Escrow Agents, Paying Agents and DTC have all submitted certificates of compliance to the City Treasurer assuring the City that they are Y2K compliant. The City cannot ensure "business as usual" if companies and organizations the City relies on are not compliant. While attempting to be aware of and address the internal and external issues involved in the Year 2000 problem, no assurance can be given that problems will not arise within and outside the control of the City and its various departments.

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 Series 1999 Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Series 1999 Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated will be a table regarding Hotel Motel Occupancy Tax Collections. The City will update and provide this information as of the end of such fiscal year or for the twelve month period then ended within six months after the end of each fiscal year ending in or after 1999. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The 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 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 E 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, 2000 and in each succeeding year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Series 1999 Bonds, if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 1999 Bonds; (7) modifications to rights of holders of the Series 1999 Bonds; (8) Series 1999 Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 1999 Bonds; and (11) rating changes. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The City has agreed to provide the foregoing information to NRMSIRs and any SID only. The information will be available to holders of Series 1999 Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

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

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 1999 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 Series 1999 Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Hotel Occupancy Tax, if the agreement, as amended, would have permitted an underwriter to purchase or sell the Series 1999 Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Series 1999 Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Series 1999 Bonds. If the City amends its agreement, it must 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 information and data provided.

Compliance with Prior Undertakings

The City is in compliance with all prior undertakings under Rule 15c2-12.

Certain Legal Matters

Legal matters incident to the authorization, issuance, sale and delivery of the Series 1999 Bonds are subject to the approving opinion of the Attorney General of Texas and of Fulbright & Jaworski, L.L.P., Bond Counsel. In rendering such approving opinion, the Attorney General of Texas will review a transcript of proceedings relating to the Series 1999 Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P..

Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity, as Bond Counsel, such firm has reviewed the information describing the Series 1999 Bonds and the Ordinance contained in this Official Statement to verify that such description conforms to the provisions of the Ordinance, and has reviewed the statements contained in this Official Statement under the caption "Tax Exemptions," to verify that the summary of their opinion therein accurately reflects the substance of their legal conclusions. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Series 1999 Bonds are contingent on the sale and delivery of the Series 1999 Bonds.

Litigation

As of the date hereof, there is no litigation pending or, to the knowledge of the City, threatened against the City to restrain or enjoin the issuance, sale, execution or delivery of the Series 1999 Bonds or the application of the proceeds thereof as described herein, or in any way contesting or affecting the validity of the Series 1999 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security for the Series 1999 Bonds or the existence or powers of the City.

Source of 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. This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the City or from Public Financial Management, Financial Advisor to the City.

Financial Advisor

Public Financial Management is employed as Financial Advisor to the City in connection with the issuance of the Series 1999 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 1999 Bonds is contingent upon the issuance and delivery of the Series 1999 Bonds.

Public Financial Management, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documents with respect to the federal income tax status of interest on the Series 1999 Bonds.

Underwriting

The Underwriters have jointly and severally agreed, subject to certain customary conditions to delivery, to purchase the Series 1999 Bonds from the City at an Underwriters' discount of $642,332 from the initial offering price to the public. The Underwriters will be obligated to purchase all of the Series 1999 Bonds if any Series 1999 Bonds are purchased. The Series 1999 Bonds may be offered and sold to certain dealers and others at prices lower than the public offering prices set forth on the cover hereof, and such public prices may be changed, from time to time, by the Underwriters.

Additional Information

This Official Statement was approved, and the execution and delivery of this Official Statement authorized, by the City Council on August 26, 1999.

CITY OF AUSTIN, TEXAS

/s/ Kirk Watson

Mayor

ATTEST:

/s/ Shirley A. Brown
City Clerk

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY AND ITS ECONOMY

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY AND ITS ECONOMY

The following information has been presented for informational purposes only. The Bonds are a general obligation of the City.

Life in Austin

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

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

Austin Weather

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

Austin’s Parks and Recreation Department is acknowledged as one of the finest in the country. The city has a number of public outdoor recreational facilities, including 23 greenbelts, 88 athletic fields, 77 neighborhood parks, 5 golf courses, 106 tennis courts, the Veloway for bicyclists and inline skaters, and 47 swimming pools, including renowned Barton Springs, where as many as 400,000 people a year enjoy its constant 68 degree spring-fed water. Austin is home to a number of outdoor events and festivals, including the Capitol 10,000 Race, the Annual Texas Hill Country Wine and Food Festival, the Pecan Street Arts Festival, the Annual Spam-O-Rama, where hundreds of devotees of SPAM converge for cooking and sculpting contests, and the nightly flights of the world’s largest urban bat colony.

In addition to outdoor recreational opportunities, Austin has a wide variety of indoor recreational activities to choose from. Austin has long been recognized as the "live music capital of the world," with more than 100 live music venues nightly offering a complete range of musical styles. Austin also has a number of museums and art galleries to choose from and has a wide variety of restaurants and bars offering all types of food and drink, especially in the popular Sixth Street area and the developing Warehouse District.

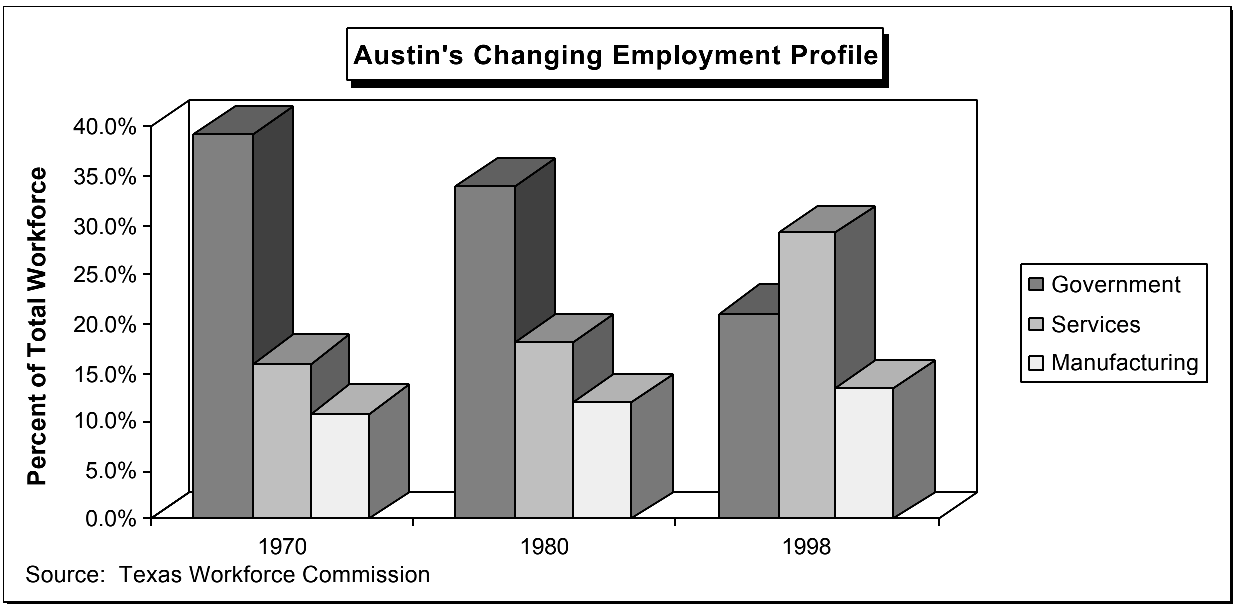
With its seven institutions of higher learning, education is a significant aspect of life in the Austin area. Access to these institutions, especially the University of Texas at Austin (UT), has attracted many of the high-technology industries that now drive most of the growth in the city's economy. The University of Texas library is ranked fifth among public universities in the United States, and the University’s academic programs and professional schools rank largely among the top 10 programs and schools in the country. *U.S. News & World Report* ranks fifteen graduate programs and specialties in the top five nationally, including public and private universities, and the National Research Council ranks seven of UT’s doctoral programs in the top ten nationally. The *Public Accounting Report* ranks UT’s graduate accounting program first nationally.

Austin is one of the most highly educated of U.S. cities with a population of over 250,000, with 35% of its adults having 16 or more years of schooling. The city may also have the most computer-literate populace in the country. *Yahoo Magazine* recently rated Austin as the second-most wired city in the nation.

Industry and Business

In 1998 the Austin metropolitan area continued to receive national recognition for its dynamic economy and its quality of life. *FORTUNE* magazine ranks Austin as "The Best City for Business in North America," and *Newsweek* ranks Austin as one of the hottest high-tech cities in the world. *Money Magazine* includes Austin as 14th on the list of "Best Large City of the South".

As the capital of Texas and the home of the University of Texas, Austin has long been considered a government and university town. However, Austin is also one of the premier high-tech communities in the country. Austin has approximately 1,800 technology companies of all kinds employing 115,000 people, with another 200 professional service and low-tech firms employing about 15,000 people, bringing the area's tech-related jobs to about 130,000. While government employment is still a stabilizing force in the Austin economy, it now accounts for a much lower percentage of the make-up of Austin's total employment. As the comparison below shows, since 1970, government employment has decreased substantially relative to the other large employment sectors in the Austin area.



The outlook for Austin's high-technology industry remains very promising and the city's ability to attract new businesses and individuals remains strong, as Austin is a unique place that offers an abundance of recreational and cultural activities and excellent municipal services. The large student population of more than 100,000, half of them at the University of Texas, help keep the city intellectually active and provide a valuable resource to companies locating to the area.

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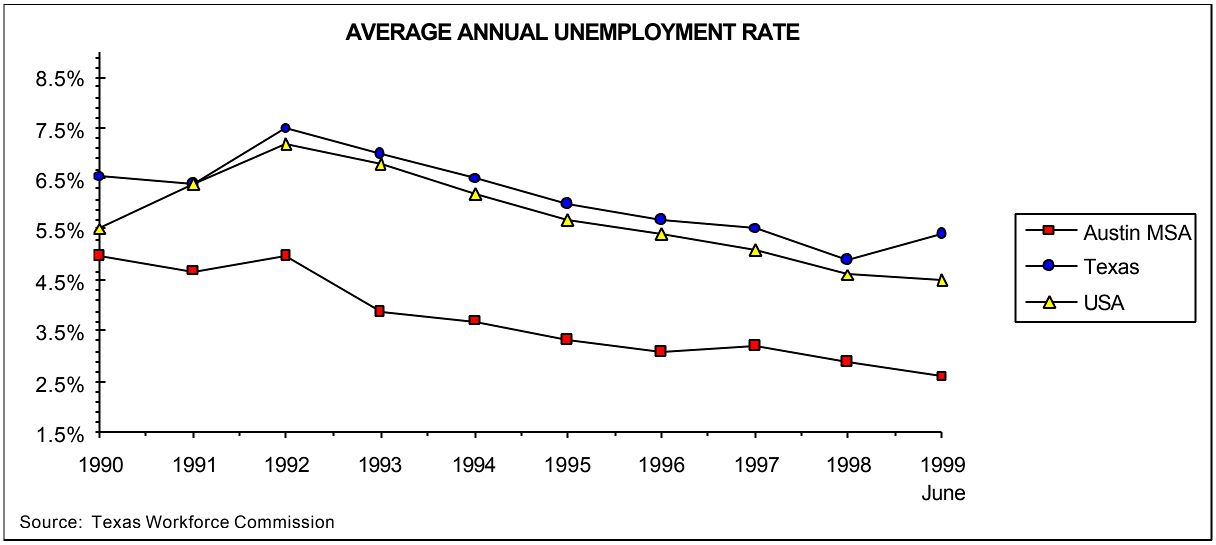
EMPLOYMENT BY INDUSTRY IN THE AUSTIN METROPOLITAN STATISTICAL AREA [(a)]

Employment Characteristics

Industrial Classification	12 Months Ended December 31 1970	% of Total	12 Months Ended December 31 1996	% of Total	12 Months Ended December 31 1997	% of Total	12 Months Ended December 31 1998	% of Total	6 Months Ended June 30 1999 [(b)]	% of Total
Manufacturing	13,300	10.3%	71,500	13.1%	75,485	13.5%	81,871	13.8%	84,100	13.5%
Government	51,150	39.5%	130,400	23.8%	127,151	22.7%	130,036	21.9%	126,200	20.3%
Trade	26,100	20.2%	122,700	22.4%	121,548	21.8%	128,552	21.6%	135,400	21.8%
Services and Miscellaneous	19,600	15.1%	148,600	27.1%	156,173	27.9%	168,985	28.4%	183,800	29.6%
Finance, Insurance and Real Estate	6,150	4.7%	29,100	5.3%	29,083	5.2%	30,587	5.1%	32,700	5.3%
Contract Construction	8,750	6.8%	26,800	4.9%	29,954	5.4%	33,758	5.7%	36,600	5.9%
Transportation, Communications & Utilities	4,000	3.1%	17,500	3.2%	18,501	3.3%	19,451	3.3%	21,100	3.4%
Mining	450	0.3%	1,100	0.2%	1,224	0.2%	1,308	0.2%	1,300	0.2%
Total	129,500	100.0%	547,700	100.0%	559,119	100.0%	594,548	100.0%	621,200	100.0%

(a) Information is updated periodically, data contained herein is latest provided.
(b) Subject to revision.

Source: 1998 Comprehensive Annual Financial Report, Texas Workforce Commission.



AVERAGE ANNUAL UNEMPLOYMENT RATE

	Austin MSA	Texas	U.S.
1990	5.0%	6.5%	5.5%
1991	4.7%	6.4%	6.4%
1992	5.0%	7.5%	7.2%
1993	3.9%	7.0%	6.8%
1994	3.7%	6.5%	6.2%
1995	3.3%	6.0%	5.7%
1996	3.1%	5.7%	5.4%
1997	3.2%	5.5%	5.1%
1998	2.9%	4.9%	4.6%
1999 June	2.6%	5.4%	4.5%

Note: Information is updated periodically, data contained herein is latest provided.
Source: 1998 Comprehensive Annual Financial Report, Texas Workforce Commission.

CITY SALES TAX COLLECTIONS
(In Millions)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-95	$6.108	1-1-96	$5.790	1-1-97	$ 5.421	1-1-98	$ 6.399	1-1-99	$ 7.335
2-1-95	9.222	2-1-96	9.213	2-1-97	10.626	2-1-98	10.708	2-1-99	12.155
3-1-95	5.666	3-1-96	6.393	3-1-97	5.734	3-1-98	6.641	3-1-99	7.318
4-1-95	5.329	4-1-96	5.945	4-1-97	5.848	4-1-98	6.780	4-1-99	7.252
5-1-95	7.491	5-1-96	7.425	5-1-97	7.861	5-1-98	9.155	5-1-99	10.027
6-1-95	5.369	6-1-96	6.262	6-1-97	6.446	6-1-98	7.367	6-1-99	7.900
7-1-95	5.552	7-1-96	6.041	7-1-97	6.013	7-1-98	7.056	7-1-99	7.632
8-1-95	7.881	8-1-96	7.932	8-1-97	8.541	8-1-98	9.587	8-1-99	10.611
9-1-95	5.529	9-1-96	6.456	9-1-97	6.569	9-1-98	7.251		
10-1-95	5.880	10-1-96	5.796	10-1-97	6.967	10-1-98	7.277		
11-1-95	7.874	11-1-96	7.524	11-1-97	8.477	11-1-98	8.623		
12-1-95	5.426	12-1-96	6.060	12-1-97	6.770	12-1-98	7.417		

Source: State of Texas Comptroller's Office.

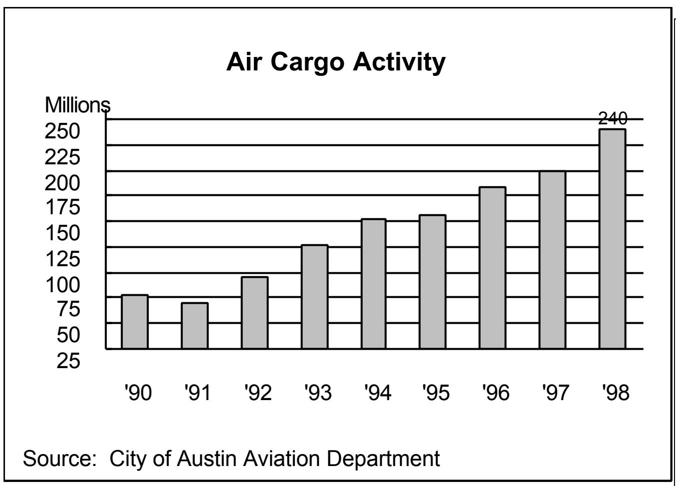
TEN LARGEST EMPLOYERS
(as of September 30, 1998)

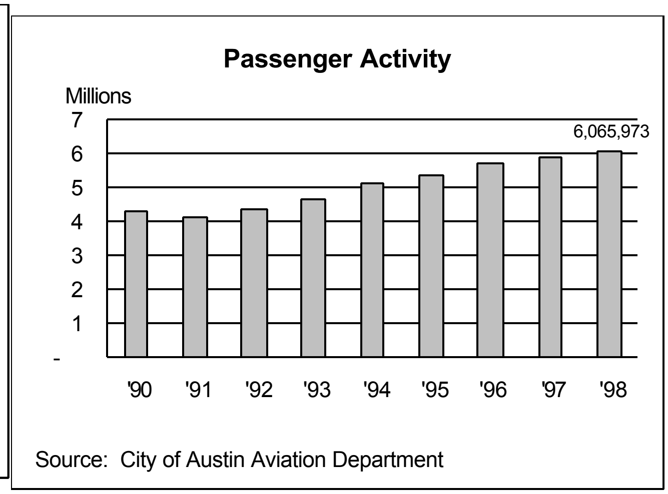
Employer	Product or Service	Number of Employees
The University of Texas at Austin	Education and research	20,342
Dell Computer Corporation	Computers	10,700
City of Austin	City Government	10,606
Motorola, Inc.	Electronic components	10,000
Austin Independent School District	Education	9,159
IBM Corporation	Office machines	7,000
Internal Revenue Service	Federal Agency	5,700
Texas Department of Health	State Government	5,634
Advanced Micro Devices	Computers	4,200
Texas Department of Public Safety	State Government	4,000

Source: 1998 Comprehensive Annual Financial Report.

Transportation

Austin-Bergstrom International Airport





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

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

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

Austin's Austin-Bergstrom International Airport, which opened for passenger service on May 23, 1999, is served by 8 major airlines: American, America-West, Continental, Delta, Northwest, Southwest, TWA and United. In addition, Austin Express serves Austin as a commuter airline. Direct service is available to all major U.S. destinations.

Growth Indicators

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

POPULATION

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

(1) All years except census years are estimates from the City's Department of Planning. Census years are from U.S. Bureau of the Census.
(2) Bureau of the Census estimates as of July 31, except for census years.

CONNECTIONS AND PERMITS

	Utility Connection			Building Permits		
Year	Electric	Water	Gas	Taxable	Federal State and Municipal	Total
1989	257,525	136,233	109,366	$ 361,440,727	$12,516,321	$ 373,957,048
1990	275,840	137,936	111,114	309,999,799	48,312,493	358,312,292
1991	281,926	142,721	131,713	327,777,503	33,619,419	361,396,922
1992	286,413	141,210	139,529	435,053,697	5,162,800	440,216,497
1993	291,896	146,396	143,088	607,717,144	70,976,449	678,693,593
1994	298,662	148,148	142,373	840,043,119	19,643,501	859,686,620
1995	306,670	149,867	147,023	870,446,315	11,087,831	881,534,146
1996	319,518	151,757	148,124	1,246,232,619	89,945,847	1,336,178,466
1997	326,816	156,397	156,752	1,023,114,762	2,574,539	1,025,689,301
1998	342,263	168,907	165,274	1,434,660,615	46,722,845	1,481,383,460

Source: City of Austin and Southern Union Gas Company.

Wealth and Income Indicators

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

EFFECTIVE BUYING INCOME AND RETAIL SALES

Area	Median House Hold EBI	Per Capita EBI	% of Households by EBI Group* A	B	C	D	Per Capita Retail Sales
City of Austin	$33,690	$18,999	28.9%	23.0%	16.8%	31.3%	$16,223
Austin Metropolitan Area	36,669	18,424	26.6%	21.5%	17.1%	34.8%	11,405
Texas	33,190	15,603	30.2%	22.3%	16.9%	30.6%	9,013
USA	34,618	16,281	28.0%	22.5%	18.2%	31.3%	9,422

* Group A $0 - $19,999; Group B $20,000 - 34,999; Group C $35,000 - 49,999; Group D $50,000 and over.

Source: 1998 Survey of Buying Power, Sales and Marketing Management.

Housing Units

The average rental rate for a 1,000 square foot apartment in the Austin MSA was $880 per month during the second quarter of 1999. The City's occupancy rate rose from 96.5% during the third quarter of 1998 to 97.4% during the second quarter of 1999.

RESIDENTIAL SALES DATA

Year	Number of Sales	Total Volume	Average Price
1990	7,159	$ 627,287,229	$ 87,622
1991	7,581	711,123,662	93,803
1992	8,503	887,249,588	104,345
1993	9,926	1,139,100,456	114,759
1994	10,571	1,272,585,426	120,385
1995	11,459	1,439,915,043	125,658
1996	12,597	1,672,441,903	132,765
1997	12,439	1,762,198,574	141,667
1998	15,537	2,325,211,910	149,656
1999 June	8,433	1,330,315,466	157,751

Note: Information is updated periodically, data contained herein is latest provided.
Source: Real Estate Center at Texas A&M University.

CITY-WIDE AUSTIN OFFICE OCCUPANCY RATE

Year	Occupancy Rate
1990	75.5%
1991	78.9%
1992	82.6%
1993	86.3%
1994	87.9%
1995	88.4%
1996	92.2%
1997	94.7%
1998	93.4%
1999 (2^{nd} Quarter)	92.0%

Source: Colliers Oxford Commercial Research Services.

Education

The Austin Independent School District had an enrollment of 75,915 for the Spring of 1999. This reflects an increase of 0.3% in enrollment from the Spring of 1998. The District includes 100 campus buildings.

School Year	Average Daily Membership	Average Daily Attendance
1989/90	63,887	60,835
1990/91	65,952	62,632
1991/92	67,063	63,267
1992/93	68,712	63,817
1993/94	70,665	66,086
1994/95	72,298	67,788
1995/96	73,795	68,953
1996/97	74,315	70,361
1997/98	75,693	71,241
1998/99	75,915	71,712

Source: Austin Independent School District.

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

The University of Texas at Austin had an enrollment of 46,357 for the spring semester of 1999 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

Banking

According to the 1999 spring edition of the Texas Banking Red Book, there are 19 banks and bank branches serving the Austin area.

Tourism

The impact of tourism on the Austin economy is significant. Total travel expenditures in Travis County were $1.6 billion in 1997. There are more than 15,700 hotel rooms available within the Austin Metropolitan Area. The substantial increase in supply of rooms contributed to decreasing occupancy rates in the last three years. For 1998, the occupancy rate for the Austin area was 67.8%, with a city-wide average room rate of $77.70.

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

APPENDIX B

CONSULTANT’S REPORT

INTRODUCTION

The City of Austin (City) owns and operates the Austin Convention Center (Center), which is currently being expanded to add 129,600 square feet of exhibition space, a 40,000 square foot ballroom, 35,000 square feet of meeting space and associated prefunction and service areas. The project is currently underway and scheduled for completion in 2001. The City also approved a project, which will construct a tunnel underneath downtown Austin to alleviate the flooding of Waller Creek, and allow for commercial development along the corridor to complement the convention center.

The City has provided interim financing for the convention center project in the form of a loan. The City intends to issue bonds to provide for the permanent financing of the project, to be repaid with dedicated revenue from the City's tax on hotel and motel accommodations (Hotel Tax).

The City engaged C.H. Johnson Consulting, Inc. (Johnson Consulting) to project future amounts of revenue from Hotel Tax collections in the City. Johnson Consulting is a real estate consulting firm with specialized knowledge in convention centers and experience in performing tax projections. This report presents the results of the Hotel Tax analysis performed for the purpose of determining the availability of revenue to repay the bonds, and should only be used for the purpose for which it was developed.

This report includes: 1) an economic overview of the greater metropolitan Austin area, 2) a summary of the analysis of the Austin hotel market relevant to Hotel Tax collection, 3) a summary of the history of the Hotel Taxes and projections of Hotel Tax revenue, and 4) a determination of whether sufficient revenues are available to meet the debt service requirements.

ECONOMIC AND DEMOGRAPHIC FACTORS

The Austin-San Marcos Metropolitan Statistical Area (Austin MSA) is comprised of five counties: Bastrop, Caldwell, Hays, Travis, and Williamson. The City of Austin is located in central Texas, approximately 79 miles from San Antonio, 192 miles from Dallas, and 162 miles from Houston.

Over the past thirty years, the Austin MSA economy has moved from a primary focus on government towards the information technology industry. Considered a boomtown, Austin has been known as a burgeoning technology hub in the region, but its reputation as a hotbed of information technology activity is now spreading throughout the United States. The Austin Chamber of Commerce (Chamber) continues to lead a successful effort to attract new firms to the area and retain existing businesses, resulting in one of the most positive regional growth rates in the nation. The Chamber's efforts were successful enough to have Austin recently named "The Best City for Business in North America," in the November 1998 issue of Fortune magazine for its positive business climate.

Population

The Austin MSA, which includes San Marcos, has a population of over one million, and compares to other MSA populations such as: Charlotte, North Carolina; Nashville, Tennessee; and Oklahoma City, Oklahoma. Table 1-1 shows the population of the Austin MSA from 1975 to 1996.

Table 1-1

Austin-San Marcos MSA Historic Population

Year	Population (Thousands)	% change
1975	497.4	
1976	517.7	4.1%
1977	532.1	2.8%
1978	538.7	1.2%
1979	571.5	6.1%
1980	589.6	3.2%
1981	606.0	2.8%
1982	633.5	4.5%
1983	668.3	5.5%
1984	707.6	5.9%
1985	758.5	7.2%
1986	793.1	4.6%
1987	807.4	1.8%
1988	817.2	1.2%
1989	831.8	1.8%
1990	850.6	2.3%
1991	874.9	2.9%
1992	902.1	3.1%
1993	932.7	3.4%
1994	966.8	3.7%
1995	1,003.9	3.8%
1996	1,040.7	3.7%
Annual Average Growth		3.6%

Source: Bureau of Economic Analysis

The Austin MSA has seen varied growth rates since 1975. The average annual growth from 1975 to 1996, as reported by the Bureau of Economic Analysis, is 3.6 percent. The annual growth rate varied from 1.2 percent to 7.2 percent. The average annual growth rate from 1975 to 1985 is 4.3 percent while the average annual growth rate from 1986 to 1996 is 2.9 percent. Table 1-2 shows population projections for the Austin MSA through 2045.

Table 1-2

Austin-San Marcos MSA Population Projection

Year	Population (thousands)	% Annual Change
1996	1040.7	
2000	1076.7	0.9%
2005	1167.6	1.7%
2010	1250.7	1.4%
2015	1329.7	1.3%
2025	1471.5	1.1%
2045	1697.0	0.8%
Average Annual Percent Growth		***1.3%***

Source: Bureau of Economic Analysis

Annual population growth is expected to remain steady near 1.0 percent. From 2000 through 2010, the annual average growth rate is 1.3 percent. From 2015 to 2025 the projected annual average growth rate declines to 1.2 percent.

Income

Table 1-3 shows historic non-farm income and non-farm employment trends for the Austin MSA.

Table 1-3

Austin-San Marcos MSA Income and Employment Trends

	Non-Farm Income		Non-Farm Employment	
Year	**($ 000)**	**% change**	**(000)**	**% change**
1975	2,673.5		240.7	
1976	3,074.4	15.0%	255.1	6.0%
1977	3,462.1	12.6%	272.3	6.8%
1978	4,052.9	17.1%	290.7	6.8%
1979	4,734.9	16.8%	308.6	6.2%
1980	5,518.5	16.5%	323.0	4.6%
1981	6,411.9	16.2%	343.4	6.3%
1982	7,258.8	13.2%	363.8	5.9%
1983	8,315.7	14.6%	389.8	7.2%
1984	9,821.6	18.1%	433.9	11.3%
1985	11,128.9	13.3%	471.1	8.6%
1986	11,625.1	4.5%	474.3	0.7%
1987	11,829.8	1.8%	484.2	2.1%
1988	12,497.0	5.6%	488.5	0.9%
1989	13,514.7	8.1%	493.8	1.1%
1990	14,950.3	10.6%	514.4	4.2%
1991	15,960.5	6.8%	538.8	4.7%
1992	17,325.9	8.6%	558.9	3.7%
1993	18,833.9	8.7%	595.7	6.6%
1994	20,630.4	9.5%	630.8	5.9%
1995	22,694.7	10.0%	668.5	6.0%
1996	24,641.9	8.6%	692.3	3.6%
Average Annual Growth		11.5%		5.2%

Source: Bureau of Economic Analysis

From 1975 through 1996, non-farm employment grew at an annual average rate of 5.2 percent. Over the same period, non-farm income grew at an average annual rate of 11.5 percent. From 1975 to 1985, the average annual increase in income was 15.3 percent, outpacing the national average of 10.3 percent. This growth coincides with the arrival of the larger, more profitable technology companies. The average annual change in income from 1986 to 1996 is 7.5 percent, compared to the national average of 6.0 percent. The growth of information technology industries also caused dramatic increases in non-farm employment. The average annual growth rate in employment was 7.0 percent for 1975 to 1985, above the national average of 2.5 percent. From 1986 to 1996, the Austin MSA outpaced the national growth average of 1.9 percent, with an average growth rate of 3.6 percent.

Growth in the construction, retail and wholesale trade, and manufacturing sectors has been the mainstay of the increase in non-farm income. From 1992 to 1996, the construction and retail and wholesale trade sectors have the highest annual average growth rates for the four-year period at 15.7 percent and 8.3 percent, respectively. Table 1-4 summarizes this data.

Table 1-4

Austin-San Marcos MSA Non-Farm Income By Sector ($ Thousands)

Sector	1992	1993	1994	1995	1996
Construction	628.8	803.9	1003.5	1134.4	1290.7
annual % change	*24.4%*	*27.9%*	*24.8%*	*13.0%*	*13.8%*
Manufacturing	2,428.0	2,674.3	2,955.4	3,483.2	3,886.5
annual % change	*10.3%*	*10.1%*	*10.5%*	*17.9%*	*11.6%*
Transport & Utilities	567.1	657.8	644.1	715.2	795.6
annual % change	*6.5%*	*16.0%*	*-2.1%*	*11.0%*	*11.2%*
Wholesale Trade	527.1	586.4	673.2	816.4	958.6
annual % change	*7.5%*	*11.2%*	*14.8%*	*21.3%*	*17.4%*
Retail Trade	1,219.7	1,352.1	1,531.3	1,666.9	1,795.3
annual % change	*10.5%*	*10.9%*	*13.2%*	*8.9%*	*7.7%*
F.I.R.E.*	849.6	1,035.6	1,144.7	1,235.0	1,335.4
annual % change	*12.6%*	*21.9%*	*10.5%*	*7.9%*	*8.1%*
Services	3,740.1	4,059.0	4,568.7	5,082.2	5,664.8
annual % change	*10.2%*	*8.5%*	*12.6%*	*11.2%*	*11.5%*
Government	3,335.8	3,521.0	3,636.8	3,853.7	3,935.9
annual % change	*5.6%*	*5.6%*	*3.3%*	*6.0%*	*2.1%*
Other	145.7	171.5	180.0	193.6	217.5
annual % change	*18.9%*	*17.7%*	*5.0%*	*7.5%*	*12.4%*

**Finance, Insurance, & Real Estate*
Source: Bureau of Economic Analysis

Employment

Table 1-5 shows non-farm employment by sector of the Austin MSA as reported by the Bureau of Economic Analysis for the years 1992 through 1996. The percent share of the total employment and the overall growth rates are also shown for each year.

Table 1-5

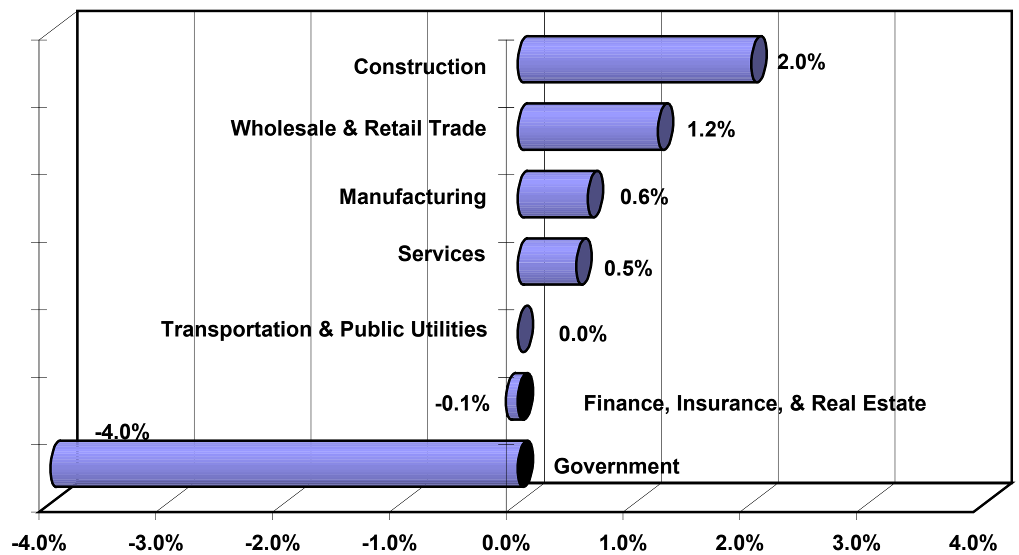
Austin-San Marcos MSA Non-Farm Employment by Sector

Sector	1992	1993	1994	1995	1996
Construction	26,093	29,913	35,178	38,659	42,528
percent of total	*4.7%*	*5.1%*	*5.6%*	*5.9%*	*6.2%*
Manufacturing	57,970	62,492	65,628	71,705	76,199
percent of total	*10.5%*	*10.6%*	*10.5%*	*10.9%*	*11.1%*
Transport & Utilities	16,409	17,991	18,120	18,905	20,716
percent of total	*3.0%*	*3.1%*	*2.9%*	*2.9%*	*3.0%*
Wholesale Trade	16,664	17,919	19,205	21,421	23,198
percent of total	*3.0%*	*3.0%*	*3.1%*	*3.2%*	*3.4%*
Retail Trade	89,263	94,752	102,515	108,739	113,199
percent of total	*16.2%*	*16.1%*	*16.5%*	*16.5%*	*16.5%*
F.I.R.E.*	43,507	46,757	51,771	53,626	55,254
percent of total	*7.9%*	*8.0%*	*8.3%*	*8.1%*	*8.1%*
Services	167,183	178,867	188,503	201,951	210,401
percent of total	*30.3%*	*30.4%*	*30.3%*	*30.6%*	*30.7%*
Government	124,504	127,370	129,894	133,373	130,144
percent of total	*22.6%*	*21.7%*	*20.8%*	*20.2%*	*19.0%*
Other	10,029	11,847	12,296	12,353	12,877
percent of total	*1.8%*	*2.0%*	*2.0%*	*1.9%*	*1.9%*
Total	**551,622**	**587,908**	**623,110**	**660,732**	**684,516**
percent growth	***3.8%***	***6.6%***	***6.0%***	***6.0%***	***3.6%***

**Finance, Insurance, and Real Estate*
Source: Bureau of Economic Analysis

In 1996, the services sector employed 30.7 percent of all non-agricultural wage and salary workers. The wholesale and retail trade sectors provided 19.9 percent of employment in the Austin MSA and grew in share of total employment by 0.7 percent from 1992 to 1996. The government (19.0 percent) and manufacturing (11.3 percent) sectors constitute the two other major providers of employment. If current trends continue, the services and manufacturing sectors will continue to grow relative to the other sectors. Figure 1-1 shows gains and losses in employment by sector from 1992 to 1996.

Figure 1-1



Source: Bureau of Economic Analysis

Despite the shifts in employment, the MSA non-farm employment force increased. The average unemployment rate from 1990 to 1999 is 3.5 percent. Table 1-6 shows the unemployment data for the Austin MSA from 1990 to 1998.

Table 1-6

Unemployment in the Austin MSA

Year	Unemployment Rate	Non-Farm Employment (Thousands)
1990	4.9%	514.4
1991	4.4%	538.8
1992	4.2%	558.9
1993	3.6%	595.7
1994	3.2%	630.8
1995	2.9%	668.5
1996	3.0%	692.3
1997	3.1%	N/A
1998	2.7%	N/A

Source: Texas Workforce Commission

Corporate Presence

Corporate presence is important to the viability of the hotel industry because business travel is the largest source of demand for hotels. Expansions of existing firms and relocation of firms to the Austin MSA are expected to continue to positively influence the market. Table 1-7 lists the top corporate employers in the Austin MSA.

Table 1-7

Top Corporate Employers in Austin-San Marcos MSA

Company Name	Product Description	Employees
Dell Computer Corporation	Personal computer systems	10,700
Motorola, Inc.	Semiconductor manufacturing	10,500
IBM Corporation	Computers and related equipment	7,500
Seton Health Care Network/Medical Center	Healthcare services	3,653
Applied Materials, Inc.	Manufacturer of semiconductor-processing equipment	3,149
Southwestern Bell	Telecommunications service	2,467
St. David's Healthcare Partnership	Healthcare services	2,000
3M	Manufacturing	1,800
Solectron Texas	Not disclosed	1,470
State Farm Insurance Cos.	Auto, fire, and life insurance	1,254
Tivoli Systems	Software provider	1,200
Commemorative Brands, Inc.	Scholastic products	1,097
National Instruments	Measuring devices	1,007
Austin-American Statesman	Newspaper and online publishing	845
EDS, Inc.	Information technology	830
Farmers Insurance Group	Property and casualty insurance	821
Tracor, Inc.	Information technology	750
Austin Diagnostic Medical Center	Full-service hospital	734
MaxServ, Inc.	Call center	692
Cirrus Logic/Crystal Semiconductor Corp.	Integrated circuits manufacturing	680
Sulzer CarboMedics, Inc.	Heart valves	675
Radian International, LLC	Engineering and environmental services	657
IKC Communications, Inc.	Digital transmissions	641
Golfsmith International, Inc.	Golf supplies	635
Temple-Inland Financial Services	Financial Services	632

Source: Greater Austin Chamber of Commerce

Colleges and Universities

Austin hosts five colleges and universities that attract students from throughout the region and country. Table 1-8 lists the institutions and their approximate enrollment. Events such as matriculation, sporting events, commencement ceremonies, and parents' weekends necessitate overnight stays unique to educational institutions. The University of Texas at Austin, in particular, has the potential to generate room nights in local hotels due to its student body of nearly 50,000.

Table 1-8

Colleges and Universities in Austin

Institution	Enrollment
The University of Texas at Austin	48,917
Austin Community College*	25,821
St. Edward's University	3,422
Concordia University	734
Huston-Tillotson College	533
Total Enrollment	79,427

**Includes part-time students*
Source: Austin Convention and Visitors Bureau

Peer City Comparison

The income and employment levels of the Austin MSA were compared to the income and employment levels of fifteen MSA's with similar populations or those similarly situated with respect to their hotel industries. Table 1-9 summarizes the data reported by the Bureau of Economic Analysis. All figures reflect 1996 data, the most recent available.

Table 1-9

Peer City Comparisons

Metropolitan Statistical Area	Population (thousands)	Per Capita Income	Total Employment (thousands)
Charlotte-Gastonia-Rock Hill, NC-SC (MSA)	1,318.7	$25,446	874.5
Salt Lake City-Ogden, UT (MSA)	1,226.3	$21,271	805.0
Greensboro-Winston-Salem-High Point, NC (MSA)	1,139.4	$24,597	760.6
Nashville, TN (MSA)	1,114.4	$26,262	787.2
Memphis, TN-AR-MS (MSA)	1,075.4	$24,945	677.9
Austin-San Marcos, TX (MSA)	**1,040.7**	**$23,669**	**692.3**
Raleigh-Durham-Chapel Hill, NC (MSA)	1,022.4	$26,255	718.2
Oklahoma City, OK (MSA)	1,022.3	$21,148	636.2
Grand Rapids-Muskegon-Holland, MI (MSA)	1,015.3	$24,139	639.5
Jacksonville, FL (MSA)	1,015.3	$23,679	630.3
West Palm Beach-Boca Raton, FL (MSA)	996.1	$38,081	540.0

Source: Bureau of Economic Analysis 1996

The Austin MSA ranks sixth among its peers in population and sixth in total employment. It also has the ninth-highest per capita income in comparison to its peers. These levels of income and employment indicate an adequate economic base to support the local hotel industry.

Projected Economic Growth

Table 1-10 shows Bureau of Economic Analysis projections of growth in real personal income by the major sectors of the Austin MSA economy. These projections are presented in constant 1987 dollars.

Table 1-10

Austin-San Marcos MSA Projected Real Income* (millions)

Sector	2000	2005	2010	2015	2025
Services	4,637.0	5,636.2	6,598.1	7,496.5	9,088.6
annual % change		*4.3%*	*3.4%*	*2.7%*	*2.1%*
Retail Trade	1,355.6	1,517.1	1,674.1	1,810.2	2,045.3
annual % change		*2.4%*	*2.1%*	*1.6%*	*1.3%*
F.I.R.E.**	993.4	1,194.2	1,393.9	1,585.6	1,938.3
annual % change		*4.0%*	*3.3%*	*2.8%*	*2.2%*
Manufacturing	2,527.3	2,832.8	3,105.8	3,346.8	3,763.0
annual % change		*2.4%*	*1.9%*	*1.6%*	*1.2%*
Wholesale Trade	568.2	647.6	720.2	783.7	893.7
annual % change		*2.8%*	*2.2%*	*1.8%*	*1.4%*
Transport & Utilities	669.8	772.3	870.4	959.6	1,117.2
annual % change		*3.1%*	*2.5%*	*2.0%*	*1.6%*
Government	1,742.1	1,915.1	2,079.0	2,228.6	2,494.4
annual % change		*2.0%*	*1.7%*	*1.4%*	*1.2%*

** In constant 1987 dollars*
*** Finance, Insurance, & Real Estate*
Source: Bureau of Economic Analysis

Long-term real growth is expected to be 2.0 percent over all sectors. The highest growth is anticipated in the services and F.I.R.E. sectors, with average annual growth projected at 3.8 percent each.

Air Service

The Robert Mueller Municipal Airport (AUS) is located approximately four miles northeast of downtown Austin, offers 31 non-stop jet destinations, and three non-stop commuter destinations. The total number of passengers enplaned has increased for the past seven consecutive years, reaching a record-high 5.9 million in 1997, a 3.7 percent increase from 1996. On May 22, 1999, Robert Mueller Municipal Airport closed, and the Austin-Bergstrom International Airport (ABIA) opened for passenger service the following day. The ABIA passenger terminal opened with 25 airline gates, but is expandable to 55, and also features a 12,250-foot runway, allowing for direct international flights to Austin for the first time. This level of available air service is adequate to support the hotel market in Austin.

Table 1-11 shows the total number of passengers serviced and the number of commercial flights per year from the Robert Mueller Municipal Airport and its peer cities.

Table 1-11

Air Service Comparison for 1997

Metropolitan Statistical Area	Total Passengers	Total Flights per Year
Charlotte, NC (CLT)	22,798,490	444,679
Salt Lake City, UT (SLT)	21,068,314	371,818
Memphis, TN (MEM)	10,431,130	368,691
Nashville, TN (BNA)	7,627,434	218,293
Raleigh-Durham, NC (RDU)	6,805,135	241,341
Austin, TX (AUS)	**5,904,305**	**205,030**
West Palm Beach, FL (PBI)	5,813,361	197,964
Jacksonville, FL (JAX)	4,316,534	149,950
Oklahoma City, OK (OKC)	3,428,472	157,666
Greensboro, NC (GSO)	2,250,846	124,689
Grand Rapids, MI (GRR)	1,759,879	143,755

Source: Airports Council International

THE HOTEL MARKET

The rapid growth of Austin's economy has contributed to the rapid growth of the local hotel market. Over fifty new properties and nearly 6,000 rooms entered the market in the last decade. Despite this substantial growth in supply, strong demand for hotel lodging has maintained occupancy rates in the high 60 percent range. In the near term, these high growth rates are expected to continue as many new properties enter the market and ongoing business expansion drives increases in underlying demand.

As of December 31, 1998, Austin had 121 properties with 15,710 rooms. Table 2-1 summarizes the hotel supply in the City.

Table 2-1

Summary of Austin Hotel Supply*

	Properties	Rooms
Central Business District	48	7,197
North	33	4,184
South	40	4,329
Total	121	15,710

** As of December 31, 1998*
Source: City of Austin and Johnson Consulting

The Austin hotel market can be divided into three market areas, which have distinct sources of demand, types of supply, and growth patterns:

- **Central Business District (CBD)** – The CBD hosts nearly half of the rooms in Austin. Comprised mainly of full-service properties, it also has strong potential for group demand growth. While the CBD depends in large part on demand from individual business travelers, its demand mix is more diverse than the other market sectors. The CBD absorbs most of the cyclical demand associated with the legislature convening every other year, sporting events at the University of Texas, and group demand from the convention center. With the highest share of full-service properties, the CBD hotels also support a considerable amount of group demand. Over the past several years, recruitment programs of expanding local businesses have generated significant amounts of group demand for CBD hotels. The City is currently soliciting the development of an 800-room headquarters hotel near the Convention Center.

- **North Austin** – Hotel development in the northern part of the City centers around the ongoing corporate development in the area. Limited service and rooms-only properties primarily serve the business travelers. In Round Rock, just north of the city limits, a 100-room Wingate property is under development and developers have proposed eight new properties with a total of approximately 1,100 rooms. Although all of this hotel development is not likely to occur in the near future, such development, to the extent that it occurs, has potential to draw demand away from the taxable jurisdiction of the City.

- **South Austin** – South Austin has most potential for growth in room supply, as the ABIA is scheduled to open on May 2, 1999. It is also comprised mainly of limited-service and rooms-only properties, which primarily serve the business traveler. Because Western Austin only has two properties, it is included in South Austin in this analysis.

Over half of the rooms in the CBD are full-service, while over half of the rooms in the North and South are rooms-only. As the room supply grows, the percentage of limited-service and rooms-only properties and rooms is expected to increase. Table 2-2 shows the distribution of full-service, limited-service, and rooms-only properties and rooms in Austin.

Table 2-2

Distribution of Room Supply in Austin

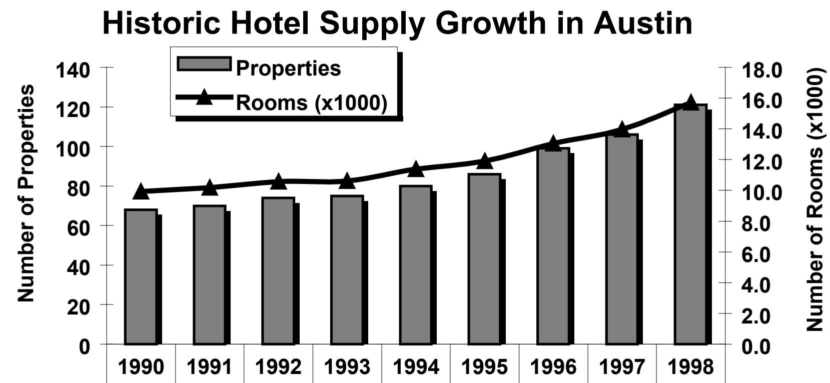
Percentage of Rooms	CBD	North	South	Total
Full Service	57%	28%	33%	42%
Limited Service	16%	14%	16%	16%
Rooms Only	27%	58%	51%	42%
Percent of City Supply	46%	27%	27%	100%
Percentage of Properties	**CBD**	**North**	**South**	**Total**
Full Service	31%	15%	16%	22%
Limited Service	19%	18%	18%	18%
Rooms Only	50%	67%	66%	60%
Percent of City Supply	40%	28%	32%	100%

Source: Johnson Consulting and City of Austin

Growth in Supply

Austin's annual average increase in room supply was 6.3 percent from 1990 to 1998, and the annual average increase in the number of properties is 8.5 percent for the same period. Figure 2-1 shows the growth in hotel room supply in Austin by sector from 1990 through 1999.

Figure 2-1



	1990	1991	1992	1993	1994	1995	1996	1997	1998
Properties	68	70	74	75	80	86	99	106	121
Rooms (x1000)	9.9	10.2	10.6	10.6	11.4	11.9	13.1	14.0	15.7

Source: City of Austin and Johnson Consulting

North Austin had an annual average increase in room supply of 17.7 percent from 1995 to 1998. The rapid business development in North Austin spurred the growth of the hotel market in that district and has relied mainly on corporate travelers for business. As the corporate base in North Austin grows, the hotel market is expected to continue to expand proportionately. The predominance of limited-service and rooms-only properties is expected to continue.

South Austin's hotel supply increased 38 percent from 1995 to 1998. Its share of the total rooms in the Austin market is expected to grow after the opening of the new airport in May 1999. Though growth is expected to continue with the limited-service and rooms-only properties, a higher number of full-service properties may enter the market to serve the ABIA.

Although the CBDs room supply increased 12 percent from 1995 to 1998, its share of the Austin hotel market decreased by 10 percent. North and South Austin may dilute some of the growth in the CBD as business expands in the North and the ABIA opens in the South.

Anticipated New Supply

As of June 18, 1999, the Austin Hotel and Motel Association and the City reports 36 proposed or rumored new hotel properties are under consideration in the Austin area. Table 2-3 shows the name, number of rooms, proposed opening date for each property, and the status of the project. The list includes some properties outside of the taxing jurisdiction of the City, such as Round Rock, and are indicated in italics.

Table 2-3

Proposed Additions to the Austin Hotel Supply*

Property	# of Rooms	Proposed Opening Date	Status
Towne Place Suites (Marriott)	100	Jul-99	Construction
Stephen F. Austin Hotel Renovation	191	Sep-99	Construction
Bradford Home Suites	137	Jan-00	Construction
Candlewood Suites Austin South	122	Jan-00	Construction
San Jose Motel Addition	16	Jan-00	Construction
Subtotal	736		
Extended Stay America Downtown	97	Jun-01	Permitted
Subtotal	97		
Carr America Off/Hotel/Retail	100	Jan-01	Pending
Five Buds, L.C.	80	Jan-01	Pending
Gracy Farms Center	135	Jan-01	Pending
Hilton/ABIA	200	Jan-01	Pending
Microtel	99	Jan-01	Pending
Motel 6 SW Parkway	112	Jan-01	Pending
Hilton Garden Inn Arboretum	162	Jun-01	Pending
Subtotal	888		
AS-Spirit Development	84	-	Speculative
Austin Convention Center Hotel	800	-	Speculative
Barton Creek Resort Addition	145	-	Speculative
Best Western Cedar Park	60	-	Speculative
Bigelow/Budget Suites of America	150	-	Speculative
Budgetel Inn	150	-	Speculative
Clarion Inn & Suites North	150	-	Speculative
Club Hotel by DoubleTree Met Ctr	100	-	Speculative
Comfort Inn and Suites	100	-	Speculative
Comfort Suites Round Rock	*100*	-	*Speculative*
DayStar (Hilton/Marr/Hyatt) Round Rock	*225*	-	*Speculative*
Extended Stay America Round Rock	*100*	-	*Speculative*
Extended Stay Hotel South Met Ctr	80	-	Speculative
Fifth Hotel Site Met Ctr	120	-	Speculative
Hampton Inn & Suites Met Ctr	150	-	Speculative
Hilton Garden Inn Round Rock	*120*	-	*Speculative*
La Frontera Full Svc I Round Rock	*200*	-	*Speculative*
La Frontera Full Svc II Round Rock	*200*	-	*Speculative*
La Frontera Mid Range Round Rock	*100*	-	*Speculative*
Mid Range Hotel Round Rock	*90*	-	*Speculative*
Residence Inn by Marriott Round Rock	*96*	-	*Speculative*
Wingate Inn	100	-	Speculative
Wingate Inn ABIA	100	-	Speculative
Subtotal	3,520		
Total	**5,241**		

**Italics indicate the property is not in the tax jurisdiction of the City*
Source: Austin Hotel and Motel Association, City of Austin

There are currently a total of 5,241 additional rooms proposed to be added. The proposed properties fall into four categories:

- **Construction** – the site plan has been approved by the City, and the hotel is currently under construction. The projections assume all properties under construction will open on time. 736 new rooms are scheduled to open by January 2000.

- **Permitted** – the site plan has been approved by the City; however, construction has not yet begun. Only one property was approved by the City and has not begun construction. The projections assume this property will open for business in June 2001 due to planning and construction.

- **Pending** – the site plan is currently under review by the City, but not yet approved. Seven projects are waiting approval from the City, with a total of 888 rooms.

- **Speculative** – the project has been publicly discussed or publicized, but has not engaged in a formal approval process. 23 properties with 3,520 rooms are speculative as of March 1, 1999. Of those properties, 14 properties with 2,289 rooms are proposed to open within the taxable jurisdiction of the City. All the speculative projects may not occur, and new properties may be added to the list. The projections assume 50 percent of the properties within the taxable jurisdiction of the City will open in January 2001, and the other half will open in January 2002.

Occupancy Rates

Table 2-4 shows the average annual percent occupancy rate within Austin from 1993 through 1998.

Table 2-4

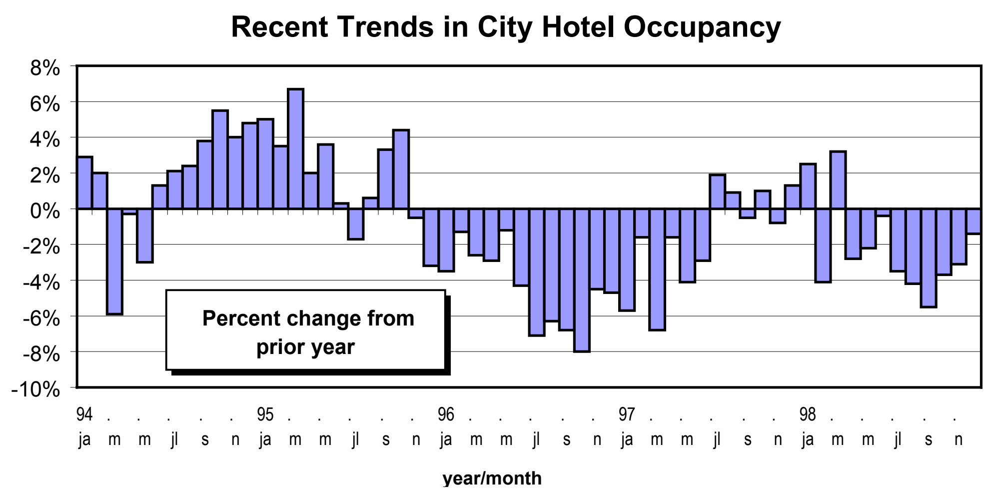
Austin Annual Occupancy Rate

Year	Percent Occupancy	*Percent Change*
1993	72.2%	
1994	73.9%	*2.4%*
1995	75.9%	*2.7%*
1996	71.5%	*-5.8%*
1997	69.9%	*-2.2%*
1998	67.8%	*-3.0%*

** Average of Monthly Occupancies*
Sources: Smith Travel Research

Despite a 40 percent increase in room supply from 1993 to 1998, the occupancy rate remains in the upper 60-percent range today. Average occupancies in the early and mid 1990s in excess of 70 percent indicate that some demand in the market was not accommodated, especially during periods of peak demand. This unaccommodated, or pent-up demand, contributed to the rapid absorption of new properties from 1996 through 1998. Figure 2-2 shows the monthly percent change in the occupancy rate from the prior year.

Figure 2-2

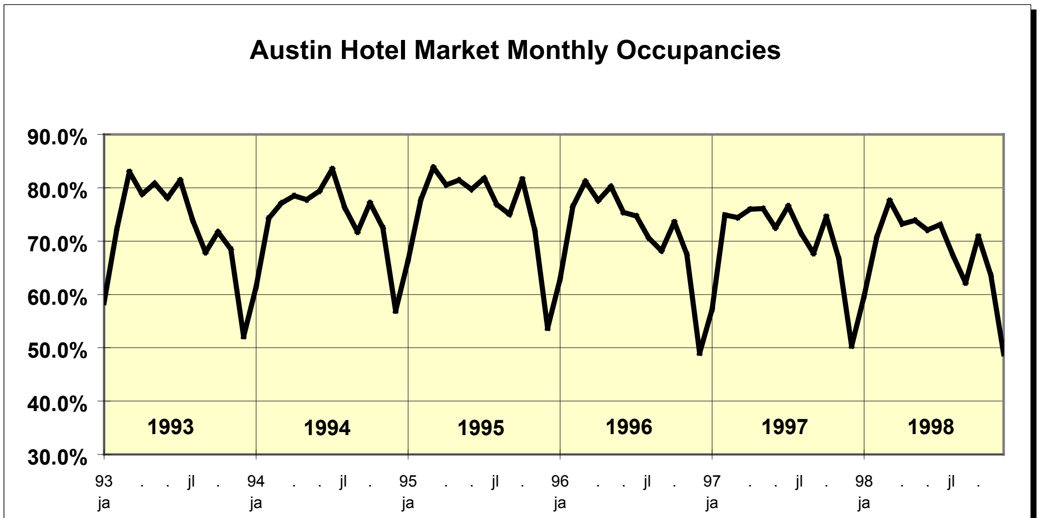


Source: Smith Travel Research and Johnson Consulting

The trend toward increasing occupancies reversed in 1996 as new supply entered the market, and the average annual occupancies fell nearly six percent from the prior year. Occupancies increased slightly in the second half of 1997, but continued to fall during 1998, although at a slower rate than in 1996.

Table 2-3 shows the average monthly occupancies in Austin from January 1995 to December 1998.

Figure 2-3



Sources: Smith Travel Research and Johnson Consulting

Due in part to its favorable climate, the Austin hotel market enjoys approximately eight months of strong demand each year. December and January are slow months due to the holiday slowdown in business travel. September and November are considered shoulder months.

Occupancy rates vary by market sector with the CBD having the highest occupancies and South Austin sector having the lowest occupancy. Table 2-5 shows the 1998 hotel occupancy rates by sector.

Table 2-5

1998 Hotel Occupancy Rates in Austin by Market Sector

	Central Business District	North Austin	South Austin	City-wide Average
January	63.5%	60.7%	53.8%	59.7%
February	77.8%	71.4%	59.9%	70.8%
March	81.2%	79.4%	65.2%	77.6%
April	76.1%	75.8%	75.8%	73.2%
May	78.3%	75.5%	61.2%	73.9%
June	74.6%	72.3%	65.5%	72.1%
July	76.0%	70.8%	71.9%	73.1%
August	71.6%	66.9%	59.1%	67.3%
September	68.8%	63.4%	51.1%	62.2%
October	78.9%	70.4%	62.7%	70.9%
November	69.6%	62.5%	58.2%	63.6%
December	51.0%	48.5%	46.6%	48.9%
Average	**72.3%**	**68.1%**	**60.9%**	**67.8%**

Source: Smith Travel Research

Average Daily Room Rates

Average daily room rates (ADRs) also vary by sector with the CBD having the highest rates. Table 2-6 shows ADRs by sector and month as reported by Smith Travel Research.

Table 2-6

1998 Average Daily Room Rates in Austin by Market Sector

	Central Business District	North Austin	South Austin	City-wide
January	$93.78	$68.34	$57.20	$74.61
February	$100.79	$70.05	$65.86	$79.17
March	$107.76	$73.08	$69.30	$81.88
April	$103.13	$72.27	$67.74	$80.59
May	$103.67	$73.26	$66.68	$80.91
June	$98.02	$70.87	$68.60	$77.23
July	$95.19	$69.32	$64.87	$75.39
August	$95.21	$70.88	$65.72	$75.92
September	$102.55	$71.50	$64.53	$79.13
October	$107.45	$72.80	$66.30	$81.21
November	$98.91	$69.29	$60.03	$76.08
December	$89.45	$65.33	$57.27	$70.32
Average	**$99.66**	**$70.58**	**$64.51**	**$77.70**

Source: Smith Travel Research

Annual ADRs in the CBD were nearly $100.00 in 1998, as compared to approximately $65.00 in the South Austin sector. This difference reflects the overall quality of room supply in the respective areas with the CBD having more higher-rated, full-service properties.

DESCRIPTION OF HOTEL TAXES

The State Legislature has authorized a local option Hotel Tax in the City of Austin. The City is the only unit of local government that has authority to levy a room occupancy or lodging tax. The tax was first imposed in 1971 at 3.0 percent, and increased to 4.0 percent in 1977, then increased to 7.0 in 1984. The State legislature granted local governments the authority to increase the tax to a maximum of 9.0 percent. Effective August 1, 1998, pursuant to Chapter 334 of the Local Government Code, the Hotel Occupancy Tax rate increased two percent to support the expansion of the Austin Convention Center (City Venue Tax). Table 3-1 summarizes the total taxes levied on hotel rooms.

Table 3-1

Summary of Austin Hotel Taxes*

	Rate
State Hotel Occupancy Tax	6.0%
City Hotel Occupancy Tax	
Tourism Promotion	1.5%
Cultural Arts	1.0%
Convention Center	4.5%
City Venue*	2.0%
Sub-total	9.0%
Total	**15.0%**

**Effective August 1, 1998*
Source: City of Austin

The tax is imposed on accommodations costing $2 or more per day, for less than 30 consecutive days, and includes hotels, motels, and bed and breakfasts. Religious, charitable, and educational organizations and their employees are exempt from paying the state tax, but not the city tax. Historically, Federal and State employees on official travel were exempt from the tax, but effective September 1, 1995, Federal and State employees must pay all applicable Hotel Taxes while on official travel, but are entitled to a refund from the City.

The City collects and administers the local Hotel Tax. The proceeds are used for three purposes: i) 4.5 percent is pledged for the repayment of bonds on the Convention Center, ii) 2.0 percent for the City Venue Tax, iii) 1.5 percent for the Tourism Promotion Fund, and iv) 1.0 percent to the Cultural Arts Fund. The Convention Center uses portion of taxed dedicated for debt service remaining after debt service requirements to support the operations of the Convention Center.

Revenues in excess of debt service and operating costs have been accumulated in a Convention Center expansion fund.

Taxpayers are required to pay and report their tax liability to the City on the last day of the first month after calendar quarter in which the liability is incurred. Taxpayers are required to report the total amount of room sales (Gross Receipts) and the total sales from exempt parties. Gross Receipts net of exemptions (Taxable Receipts) is the taxable base.

In the month following each calendar quarter, the City Controllers' Office (Controller) processes payments within two days of receipt and records the Gross Receipts, Taxable Receipts, the amounts of taxes paid and any penalties and interest. These amounts are recorded for each quarter in which the hotel incurs the tax liability. The Controllers office compares the amounts of Gross and Taxable Receipts of each hotel property with the amounts of gross taxable receipts reported to the State. Discrepancies between taxpayer reporting to the City and the State indicate the potential for clerical or reporting errors and the Controller's office investigates any material differences.

Revenues are distributed to the appropriate accounts as each payment is processed. Each quarter, the City withholds certain amounts of Hotel Tax revenues as a reserve for refunds to tax exempt lodgers that did not receive the tax exemption on their hotel bill (Refund Reserve). In each quarter, any amounts accumulated in the Refund Reserve in the quarter two year earlier and not paid as refunds, are distributed to City funds. In fiscal year 1995, the City began withholding six percent of Hotel Tax revenues, but subsequent refund requests amounted to less than one percent of revenue. In the second quarter of 1997, the City reduced the withholding rate to 1.0 percent. Currently, amount refunded to taxpayers, are approximately 0.08 percent of Hotel Tax revenue. The City is likely to lower its withholding rate to 0.25 percent in the third quarter of 1999.

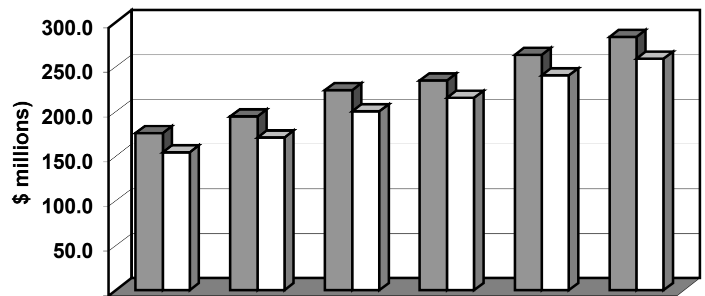
Consequently, in fiscal year 1997, the City distributed approximately $960 thousand in excess Refund Reserves. In fiscal year 1998, the City distributed approximately $530 thousand in excess Refund Reserves. In future years, the amounts Refund Reserve distributions are likely to decrease dramatically as the City's lowers its withholding rate. (See Table 3-8 for Bond Year projections of Refund Reserve distributions).

Historical Hotel Tax Revenues

Figure 3-1 illustrates the reported amounts of Gross and Taxable Receipts for the calendar years 1993 through 1998.

Figure 3-1

Annual Gross and Taxable Receipts



	1993	1994	1995	1996	1997	1998
Gross	176.5	194.9	224.2	234.9	263.6	283.7
Taxable	154.7	170.9	200.8	215.6	240.7	259.9

Source: City of Austin Comptroller's Office

Gross Receipts have grown from $176.5 million in 1993 to $283.7 million in 1998, an average annual percent increase of 10.0 percent over that time period. Taxable receipts have from $154.7 million in 1993 to $259.9 million in 1998, an 11.0 percent average annual increase. Taxable Receipts have grown at a faster rate than Gross Receipts because tax exempt business has become a smaller share of Gross Receipts. Table 3-2 shows Taxable Receipts as a percent of Gross Receipts for the Calendar Years 1992 through 1998.

Table 3-2

Taxable Receipts as a Percent of Gross Receipts

CY	percent	change
1992	86.6%	
1993	87.6%	1.0%
1994	87.7%	0.1%
1995	89.5%	1.8%
1996	91.7%	2.2%
1997	91.3%	-0.4%
1998*	91.6%	0.3%

Source: Johnson Consulting

Taxable Receipts have grown from an 86.6 percent share of Gross Receipts to a 91.6 percent share in 1998. Most of the increased hotel demand in Austin is from taxable sources such as individual business travelers rather than from tax exempt sources such as travel related to government activities. Consequently, the share to taxable business has increased. In addition, the rule regarding tax exempt activity changed in 1995 causing a one-time increase in the percentage of taxable receipts.

Table 3-3 shows the historical Taxpayer Liability, (tax rate of 7.0 percent times the Taxable Receipts) and compares these amounts to the reported tax payments for the years 1993 through 1998.

Table 3-3

Historical Taxpayer Liability
($ thousands)

Calendar Year	Taxpayer Liability	Tax Payments	*Percent Change*
1993	10,828	10,776	
1994	11,963	11,963	*10.5%*
1995	14,055	14,054	*17.5%*
1996	15,089	15,160	*7.4%*
1997	16,848	16,782	*11.7%*
1998	20,180	20,440	*19.8%*
		Average Change	*11.7%*

Source: Johnson Consulting

This historical data indicate no material differences between the calculated Taxpayer Liability and actual tax payments, which indicates no significant loss in the collection of taxes or lag in the payment of the hotel tax. Taxpayer Liability grew at an average annual rate of 11.7 percent from 1993 through 1998.

Cash Distributions

In recent years, the amounts of reported tax payments and the amounts of cash actually distributed from hotel tax collections to the appropriate City fund, have been materially different. Based on information from the City of Austin Controller's Officer, Table 3-4 reconciles the amounts of payments and distributions for fiscal years 1995 through 1998.

Table 3-4

Reconciliation of Tax Liability to Distributions

Fiscal Year	FY Reported Payments	Penalties and Interest	Net Allocated Reserves	Unreported Payments	FY Distribution
1995	$13,021,199	$32,231		$86,837	$13,140,267
1996	$14,826,901	$43,082	($754,638)	$144,463	$14,259,808
1997	$15,772,706	$20,037	($718,308)	$143,423	$15,217,858
1998	$17,905,750	$32,146	$777,751	$105,053	$18,820,700

Source: Johnson Consulting and City of Austin Controller's Office

Reconciliation of taxpayer liability and cash distribution require the following analysis:

- **FY reported payments** reflect payments reported by taxpayers for hotel tax liability in the current fiscal year.
- **Penalties and interest** are penalty and interest payments made by taxpayers for late payments and may or may not relate to hotel tax liability in the current fiscal year.
- **Net allocated reserves** represents the amount of remaining refund reserves distributed after the two year holding period has expired, minus the amount set aside for the Refund Reserve in the current fiscal year.
- **Unreported payments** include early payment by certain monthly taxpayers for liability not reported in the current fiscal year. It also includes collections not reported in the fiscal year, but received in the fiscal year as a result of audit recoveries, bankruptcy collections, and other collections.
- **FY distribution** is the total amounts distributed to the appropriate funds.

Effective ADRs

Using Smith Travel estimates of monthly occupancy rates discussed earlier in this report, and monthly data on hotel room supply, Johnson Consulting estimated the number of occupied room nights in each month from January 1993 through December 1998. Table 3-5 shows the estimated number of occupied room night for each year.

Dividing annual Gross Receipts by the annual number of occupied room nights produces estimates of the annual effective average daily room rate (Effective ADR) which measures the average daily cost of hotel lodging. Table 3-5 shows theses estimates of Effective ADR.

Table 3-5

Historical Occupied Room Nights and Effective ADRs

Calendar Year	Occupied Room Nights (thousands)		Effective ADR	
	(thousands)	*percent change*	dollars	*percent change*
1993	2,798		$63.07	
1994	3,008	*7.5%*	$64.79	*2.7%*
1995	3,251	*8.1%*	$68.98	*6.5%*
1996	3,306	*1.7%*	$71.07	*3.0%*
1997	3,444	*4.2%*	$76.54	*7.7%*
1998*	3,671	*6.6%*	$77.28	*1.0%*
Average Change		*5.6%*		*4.2%*

Source: Johnson Consulting

From 1993 through 1998 the number of occupied room nights grew from 2.8 million to 3.7 million, an annual average increase of 5.6 percent. During the same period, Effective ADRs grew by an average of 4.2 percent each year.

The effective ADR is slightly lower than the ADRs reported by Smith Travel Research (see Table 2-7), as displayed in Table 3-11. Effective ADRs are typically lower than reported ADRs because all properties are included in the effective rate calculation and the ADRs of reporting properties tend to be higher rated than non-reporting properties. Furthermore, reported ADRs may include certain room revenues that are not taxable.

Hotel Tax Projections

In order to match historical information on room tax revenue with hotel market data, the room tax projection are estimated by calendar year. These estimates of calendar year taxpayer liability are then converted to the amount of cash available for payment of debt in the bond year.

Johnson Consulting's projections rely on assumptions regarding the availability of room supply, the growth in room night demand, and the occupancy rate, which are shown in Table 3-6.

Table 3-6

Austin - Projected Room Supply, Demand & Occupancy

Calendar Year	Supply: # room nights (thousands)	Supply: Annual Percent Change	Accommodated Demand*: # room nights (thousands)	Accommodated Demand*: Annual Percent Change	Occupancy Rate: Average Annual Rate	Occupancy Rate: Annual Percent Change
1997**	4,936		3,444		69.9%	
1998**	5,427	*9.9%*	3,671	*6.6%*	67.8%	*-3.0%*
1999	5,917	*9.0%*	3,836	*4.5%*	64.8%	*-4.3%*
2000	6,142	*3.8%*	3,989	*4.0%*	64.9%	*0.2%*
2001	6,555	*6.7%*	4,219	*5.8%*	64.4%	*-0.9%*
2002	6,764	*3.2%*	4,436	*5.1%*	65.6%	*1.9%*
2003	6,831	*1.0%*	4,569	*3.0%*	66.9%	*2.0%*
2004	6,900	*1.0%*	4,706	*3.0%*	68.2%	*2.0%*
2005	7,038	*2.0%*	4,847	*3.0%*	68.9%	*1.0%*
2006	7,178	*2.0%*	4,992	*3.0%*	69.5%	*1.0%*
2007	7,322	*2.0%*	5,142	*3.0%*	70.2%	*1.0%*
2008	7,468	*2.0%*	5,296	*3.0%*	70.9%	*1.0%*
2009	7,618	*2.0%*	5,402	*2.0%*	70.9%	*0.0%*
2010	7,770	*2.0%*	5,510	*2.0%*	70.9%	*0.0%*
2011	7,925	*2.0%*	5,620	*2.0%*	70.9%	*0.0%*
2012	8,084	*2.0%*	5,733	*2.0%*	70.9%	*0.0%*
2013	8,246	*2.0%*	5,848	*2.0%*	70.9%	*0.0%*
2014	8,411	*2.0%*	5,964	*2.0%*	70.9%	*0.0%*
2015	8,579	*2.0%*	6,084	*2.0%*	70.9%	*0.0%*
2020	9,472	*2.0%*	6,717	*2.0%*	70.9%	*0.0%*
2025	10,457	*2.0%*	7,416	*2.0%*	70.9%	*0.0%*
2028	11,098	*2.0%*	7,870	*2.0%*	70.9%	*0.0%*

**Includes only accommodated room night demand.*

***1998 includes actual room night supply and Smith Travel occupancy estimates.*

Source: Johnson Consulting

Growth in Room Supply

- All of the properties proposed to open in 1999, 2000, and 2001 open as currently scheduled and no properties cease operations.

- The 800-room Convention Center Headquarters Hotel is built and opened for business in mid-2001.

- 50 percent of the projects marked "speculative" in Table 2-3, open. Half of these speculative rooms open for business in January 2001, and the remaining half, open in January 2002.

- Room supply will grow by 1.0 percent in 2003 and 2004 as the market absorbs the new rooms.

- Net additions to the room supply are assumed to be 2.0 percent per year beginning in 2005.

Growth in Room Night Demand

- 1999 room night demand is projected to increase by 4.5 percent, a rate lower than the average annual growth rate of 5.6 percent from 1993 to 1998.

- The projections assume the convention center expansion will be completed by December 2000, and open for business in January 2001.

- The new Convention Center is projected to generate 90,000 new room nights per year in 2001 and 2002.

- The 5.8 percent growth in 2001 includes a 3.5 percent growth in underlying demand, and 90,000 room nights from the new Convention Center. The 5.1 percent increase in demand in 2002 includes a 3.0 percent growth in underlying demand and 90,000 room nights generated by the new Convention Center.

- Demand is projected to increase at an annual rate of 3.0 percent from 2003 to 2008, and stabilize at 2.0 percent in 2009 and beyond.

Occupancy Rates

- Occupancy rates will continue to decline as room supply growth outpaces demand growth until 2001.

- Occupancy rates will grow beginning 2002 as the majority of the new supply finishes entering the market in 2001. For the purposes of these projections, occupancy stabilizes at 70.9 percent in 2008.

Table 3-7 shows the projections for the Effective ADR and projections of Annual Taxpayer Liability. The 1998 Annual Taxpayer Liability reflects a 9.0 percent tax rate for the entire year.

Table 3-7
Austin Hotel Tax Liability Projections

Calendar Year	Effective ADR*	*Annual Percent Change*	Gross Room Revenue ($ thousands)	Net Taxable Revenue	Annual Taxpayer Liability ($ thousands)	*Annual Percent Change*
1998**	$ 77.28		283,683	259,878	20,180	
1999	$ 78.83	*2.0%*	302,378	277,004	24,930	*23.5%*
2000	$ 80.40	*2.0%*	320,763	293,846	26,446	*6.1%*
2001	$ 82.01	*2.0%*	346,010	316,975	28,528	*7.9%*
2002	$ 83.65	*2.0%*	371,047	339,911	30,592	*7.2%*
2003	$ 85.33	*2.0%*	389,822	357,111	32,140	*5.1%*
2004	$ 87.03	*2.0%*	409,547	375,181	33,766	*5.1%*
2005	$ 88.77	*2.0%*	430,270	394,165	35,475	*5.1%*
2006	$ 90.55	*2.0%*	452,042	414,109	37,270	*5.1%*
2007	$ 92.36	*2.0%*	474,915	435,063	39,156	*5.1%*
2008	$ 94.21	*2.0%*	498,946	457,078	41,137	*5.1%*
2009	$ 96.09	*2.0%*	519,104	475,543	42,799	*4.0%*
2010	$ 98.01	*2.0%*	540,075	494,755	44,528	*4.0%*
2015	$ 108.21	*2.0%*	658,349	603,104	54,279	*4.0%*
2020	$ 119.48	*2.0%*	802,524	735,181	66,166	*4.0%*
2025	$ 131.91	*2.0%*	978,272	896,181	80,656	*4.0%*
2028	$ 139.99	*2.0%*	1,101,693	1,009,245	90,832	*4.0%*

**The gross room tax receipts divided by the estimated number of accommodated room nights.*
***The tax rate changed from 7 percent to 9 percent on August 1, 1998.*
Source: Johnson Consulting

Annual Taxpayer Liability is expected to increase from $20.1 million in 1998 to $24.9 million in 1999, a 6.6 percent increase. Annual Taxpayer Liability growth will slow slightly to 6.1 percent in 2000 as demand growth slows. Annual Taxpayer Liability is projected to increase 7.9 percent and 7.2 percent in 2001 and 2002 respectively, as the opening of the new Convention Center increases demand during 2001 and 2002. Annual Taxpayer Liability growth is projected to stabilize at 4.0 percent in the long run.

Table 3-8 shows: i) the Annual Taxpayer Liability for each calendar year from a 9.0 percent City tax, ii) adjusts this liability to match each bond year ending on November 15th, iii) subtracts estimated amount withheld for refund reserves, iv) adds estimated amounts of estimated Refund Reserve distributions, and v) shows the estimated amounts amount of cash available for distribution in each bond year.

Table 3-8

City Tax Revenues ($ thousands)

Year	Net Tax Liability for Calendar Year	Estimate of Taxes Paid in Bond Year (9%)	Less Refund Reserve Withholdings	Plus Net Distributions of Reserves	Cash Available for Bond Year*	% change
1999	24,930	23,824	(60)	529	24,293	
2000	26,446	26,093	(65)	150	26,178	*7.8%*
2001	28,528	28,043	(70)	175	28,148	*7.5%*
2002	30,592	30,111	(75)	45	30,081	*6.9%*
2003	32,140	31,779	(79)	49	31,749	*5.5%*
2004	33,766	33,387	(83)	52	33,356	*5.1%*
2005	35,475	35,077	(88)	55	35,044	*5.1%*
2010	44,528	44,125	(110)	71	44,085	*4.0%*
2015	54,279	53,788	(134)	86	53,740	*4.0%*
2020	66,166	65,568	(164)	105	65,509	*4.0%*
2025	80,656	79,927	(200)	128	79,855	*4.0%*
2028	90,832	90,011	(225)	144	89,930	*4.0%*

**Cash available during the bond year ended November 15th.*
Source: Johnson Consulting

The Bond Year ending November 15th includes distributions from one quarter of the prior calendar year and the first three quarters of the current calendar year. An estimated $24.3 million in revenue will be available for distribution in 1999.

DEBT SERVICE COVERAGE

This section of the report provides estimates of the amounts of revenue available for the repayment of existing and proposed debt.

The capital development of the existing Convention Center is supported by the proceeds of dedicated tax revenue bonds. In December 1993, the City issued approximately $82 million in refunding bonds in two series, $76.0 million in Series 1993A bonds and $6.2 million in Series 1993B bonds. Revenue from the 4.5 percent Convention Center Tax is dedicated to the repayment of these two series of bonds and the current debt service schedule for Series 1993A runs through November 2019 and through November 2005 for Series 1993B. The City proposes to refund the Series 1993B bonds and these 1999 refunding bonds would have a parity claim on the Convention Center Tax.

The City is simultaneously financing construction of the Waller Creek project by issuing $25 million in bonds backed by a first lien pledge of the new City Venue Tax. No additional parity bonds are allowed under the ordinance authorizing them.

The proposition that authorizes the convention center expansion and Waller Creek project limits debt issuance to a total of $135 million leaving $110 million in proceeds to support the Convention Center expansion. The City anticipates financing the $110 million transaction with a combined subordinate pledge of the 4.5 percent Convention Center Tax and 2.0 percent City Venue Tax. No additional bonds backed by a combined pledge of the Convention Center Tax and the City Venue Tax is authorized under the legislation.

Table 4-1 presents: 1) revenue from the 4.5 percent Convention Center Tax, 2) annual amounts of senior debt service (Series 1993A debt plus debt service for refunding of Series 1993B debt), and 3) the resulting coverage ratio for the senior debt service (Convention Center Tax revenue divided by senior debt service).

Table 4-1

Senior Debt Service Coverage Ratios ($ thousands)*

Bond Year	Revenue from 4.5% Tax	Debt Service			*Coverage Ratio*
		Series A	Series B	Total Debt Service	
1999	12,147	5,609	804	6,413	*1.89*
2000	13,089	5,616	1,198	6,814	*1.92*
2001	14,074	5,614	1,203	6,817	*2.06*
2002	15,041	5,621	1,208	6,829	*2.20*
2003	15,874	5,627	1,212	6,838	*2.32*
2004	16,678	5,630	1,216	6,845	*2.44*
2005	17,522	5,635	1,218	6,853	*2.56*
2006	18,409	5,638	0	5,638	*3.27*
2007	19,340	5,648	0	5,648	*3.42*
2008	20,319	5,654	0	5,654	*3.59*
2009	21,186	5,654	0	5,654	*3.75*
2010	22,043	5,661	0	5,661	*3.89*
2011	22,933	5,670	0	5,670	*4.04*
2012	23,860	5,670	0	5,670	*4.21*
2013	24,824	5,676	0	5,676	*4.37*
2014	25,827	5,681	0	5,681	*4.55*
2015	26,870	5,690	0	5,690	*4.72*
2016	27,956	5,693	0	5,693	*4.91*
2017	29,085	5,700	0	5,700	*5.10*
2018	30,260	5,708	0	5,708	*5.30*
2019	31,483	5,714	0	5,714	*5.51*

**For the bond year ending November 15th.*
Source: Johnson Consulting and City of Austin

Debt service coverage ratios exceed 1.89 in each year, with the lowest ratio of 1.89 in 1999 and the highest coverage ratio of 5.51 in 2019.

Table 4-2 shows: 1) Projected amounts of the 2.0 percent City Venue Tax, 2) Waller Creek debt service, and 3) the resulting coverage ratio.

Table 4-2

Waller Creek Debt Service Coverage Ratios
($ thousands)*

Bond Year	2.0% Venue Tax Revenue	Waller Creek Debt Service	*Coverage Ratio*
1999	5,398	553	*9.76*
2000	5,817	1,327	*4.38*
2001	6,255	1,327	*4.71*
2002	6,685	1,327	*5.04*
2003	7,055	1,757	*4.01*
2004	7,412	1,763	*4.20*
2005	7,788	1,767	*4.41*
2006	8,182	1,770	*4.62*
2007	8,596	1,770	*4.86*
2008	9,031	1,774	*5.09*
2009	9,416	1,776	*5.30*
2010	9,797	1,777	*5.51*
2011	10,193	1,781	*5.72*
2012	10,604	1,782	*5.95*
2013	11,033	1,787	*6.18*
2014	11,479	1,788	*6.42*
2015	11,942	1,788	*6.68*
2016	12,425	1,790	*6.94*
2017	12,927	1,790	*7.22*
2018	13,449	1,788	*7.52*
2019	13,992	1,794	*7.80*
2020	14,558	1,791	*8.13*
2021	15,146	1,793	*8.45*
2022	15,758	1,792	*8.79*
2023	16,394	1,788	*9.17*
2024	17,056	1,790	*9.53*
2025	17,746	1,789	*9.92*
2026	18,462	1,783	*10.35*
2027	19,208	1,784	*10.77*
2028	19,984	1,781	*11.22*
2029	20,792	1,778	*11.70*

For the bond year ending November 15th.
Source: Public Financial Management and Johnson Consulting

Coverage exceeds 4.01 in each year, with the lowest ratio of 4.01 in 2003, and the highest in 2029 with 11.70 coverage.

Table 4-3 shows: 1) Revenue remaining from the 4.5 percent Convention Center Tax after payment of senior debt service, 2) revenue remaining from the 2.0 percent City

Venue Tax after payment of the Waller Creek project debt service, 3) combined total revenue available for debt service, 4) estimated convention center debt service, and 5) the resulting coverage ratio.

Table 4-3

Junior Convention Center Debt Service Coverage Ratios ($ thousands)*

Bond Year	Excess 4.5% Tax Revenue	Excess 2.0% Venue Tax Revenue	Total Available Revenue	Estimated Convention Center Debt Service	*Coverage Ratio*
1999	5,733	4,845	10,579	2,150	*4.92*
2000	6,275	4,490	10,765	5,775	*1.86*
2001	7,257	4,928	12,185	5,775	*2.11*
2002	8,212	5,357	13,569	5,775	*2.35*
2003	9,036	5,298	14,334	6,775	*2.12*
2004	9,833	5,649	15,482	7,223	*2.14*
2005	10,669	6,020	16,690	7,144	*2.34*
2006	12,771	6,412	19,183	7,825	*2.45*
2007	13,692	6,825	20,517	7,831	*2.62*
2008	14,665	7,256	21,922	7,831	*2.80*
2009	15,533	7,640	23,173	7,839	*2.96*
2010	16,382	8,020	24,402	7,840	*3.11*
2011	17,263	8,412	25,675	7,844	*3.27*
2012	18,190	8,822	27,012	7,849	*3.44*
2013	19,148	9,246	28,394	7,852	*3.62*
2014	20,146	9,690	29,836	7,860	*3.80*
2015	21,180	10,154	31,334	7,864	*3.98*
2016	22,262	10,634	32,897	7,869	*4.18*
2017	23,385	11,136	34,522	7,873	*4.38*
2018	24,552	11,661	36,212	7,881	*4.59*
2019	25,769	12,199	37,968	7,883	*4.82*
2020	32,754	12,766	45,521	7,893	*5.77*
2021	34,078	13,352	47,430	7,901	*6.00*
2022	35,454	13,965	49,420	7,904	*6.25*
2023	36,887	14,606	51,493	7,914	*6.51*
2024	38,377	15,266	53,643	7,919	*6.77*
2025	39,928	15,957	55,884	7,929	*7.05*
2026	41,541	16,679	58,220	7,937	*7.34*
2027	43,219	17,424	60,643	7,947	*7.63*
2028	44,965	18,204	63,169	7,954	*7.94*
2029	46,781	19,014	65,796	7,967	*8.26*

**For the bond year ending November 15th.*
Source: Public Financial Management and Johnson Consulting

Coverage exceeds 1.86 in each year, with the lowest ratio of 1.86 in 2000, and the highest in 2029 with 8.26 coverage.

Risk Factors

Forecasts of the future performance of any tax source is inherently uncertain. The financial results projected in this report are subject to certain risks including, but not limited to those described below.

General Market Risk

The amount of available Hotel Tax revenues depends on long-term growth of the local and national economies. Economic growth lower than the rates of growth assumed in this projection would decrease spending for hotel rooms and thereby cause the Hotel Tax to produce less revenue than the projected amounts.

Inflation Risk

The projections are based on certain assumptions regarding future inflation rates. Long-term inflation growth at the rates assumed for the purposes of these projections cannot be assured. Inflation rates lower than the assumed rates would reduce available Hotel Tax revenues.

Hotel Development Outside City Limits and Potential Annexation

Hotel development outside of the City's taxable jurisdiction has potential to draw demand away from the taxable hotels. If hotel development continues outside of the City's jurisdiction, and the City does not continue to annex adjacent areas- particularly to the north, near Round Rock, and south, near the ABIA- Hotel Tax revenues may decrease.

However, the City has a history of annexation and is continuing to extend its boundaries. The 1998 annexation program for the City included 11 full-purpose annexations and five limited-purpose annexations. The full-purpose annexations total 2,483 acres, which extend the City's taxable jurisdiction. The City is currently planning on annexing a tract of land just north of the ABIA, and a portion of land called the "Motorola Tract."

Future Growth of Information Technology Industries

The travel related to the information technology industries is the largest single source of demand for the local hotel market. Transient business and recruiting activities related to these industries have generated a large portion of room night demand growth. To the extent the information technology sector curtails business travel or recruiting activities, the demand for hotel rooms may decline, reducing available Hotel Tax revenues.

Sensitivity of Business Travel to Changes in Economic Conditions

Spending on business travel is particularly sensitive to changes in economic conditions. Historically, business travel is curtailed during recessions and spending on hotels and auto rentals may fail to grow, or may even decline. The effect of the business cycle on individual business and leisure travel has historically caused volatility in Hotel Tax revenues. Since the timing of business cycles cannot be predicted, the projections assume a steady rate of long-term growth. Even if the projected long-term growth rates materialize, annual revenues are likely to be greater or less than the annual projections, depending on the phase of the business cycle.

Long-term Future of Business Travel

Long-term changes in communications technology and in methods of information exchange may reduce the amount of future business travel. Such a long-term reduction could reduce spending on hotels and thereby reduce the amounts of projected available Hotel Tax revenue.

Long-term Trends in the Meetings Industry

The projections assume certain levels of growth in the number of events and attendance at conventions, tradeshows, consumer shows, meetings, banquets and other events. The long-term growth in events and attendance is not assured and lower than projected results may cause a reduction in group demand for hotels and the convention center. To the extent that the projections assume growth in group meeting demand, lower attendance at meetings could reduce demand for hotel rooms.

Construction Completion Risk

To the extent that these projections rely on assumptions regarding the amount of hotel business generated by the proposed convention and conference center, the projections depend on the successful opening of this facility. The timely and satisfactory performance of certain parties under the terms of the various contracts, including performance by the construction manager and various construction contractors and subcontractors will be necessary to complete the facility on schedule. Projects of this nature are subject to various construction risks including, but not limited to: cost overruns, delay in receipt of governmental approvals, shortages of materials or skilled labor, labor disputes, unforeseen environmental or engineering problems, work stoppages, fire and other natural disasters, construction scheduling problems and weather interference. Any of these potential construction problems could delay project completion or result in a substantial increase in costs. There can be no assurance that the convention center will become operational within the projected time frames and budgets, and such failure would adversely affect the level of available Hotel Tax revenue.

APPENDIX C

SELECTED DEFINITIONS

Additional Bonds - refunding bonds permitted to be issued by the City pursuant to the Ordinance.

Bond Act - collectively, Articles 717k and 1269j-4.1, Vernon's Texas Civil Statutes, as amended, and Vernon' Texas Code Annotated, Local Government Code, Chapter 334.

Bonds - the City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 1999, authorized by the Ordinance.

Convention Center/Waller Creek Venue Project - 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 Chapter 334 of the Local Government Code approved at an election held in the City May 2, 1998, and designated by Resolution No. 980205-61.

Debt Service Requirements - for any particular Bond Year, an amount equal to the sum of the principal of and interest and any redemption premium on the Parity Bonds then Outstanding which will become due and owing during such Bond Year.

Fiscal Year - the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

Hotel Occupancy Tax - 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 a 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.

Legal Holiday - a day on which a Paying Agent/Registrar for the Bonds is authorized by law to close.

Ordinance - the Ordinance No. 99080_-___ and all amendments hereof and supplements hereto.

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

Parity Bonds - the Bonds and Additional Bonds.

Pledged Hotel Occupancy Tax Revenues - 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, in which the cost of occupancy is $2.00 or more a day.

Pledged Revenues - collectively, (i) the Pledged Hotel Occupancy Tax Revenues, (ii) the Special

Hotel Occupancy Tax deposited to the credit of the Venue Project Fund (iii) interest and other income realized from the investment of amounts on deposit in the funds and accounts to be maintained pursuant to Article Four of this Ordinance to the extent such interest and other income are required to be transferred or credited to the Tax Fund, and (iv) any additional revenue, receipts or income hereafter pledged to the Bonds in accordance with the Ordinance.

Prior Lien Obligations - means (a) with respect to the Pledged Hotel Occupancy Tax Revenues, the outstanding (i) "City of Austin, Texas Hotel Occupancy Tax Revenue Refunding Bonds, Series 1993A", dated December 1, 1993, originally issued in the aggregate principal amount of $75,955,000, (ii) the "City of Austin, Texas Hotel Occupancy Tax Revenue Taxable Refunding Bonds, Series 1999", dated June 15, 1999, and (iii) additional obligations hereafter issued payable from and secured by a parity lien on and pledge of the Pledged Hotel Occupancy Tax Revenues in accordance with the ordinance authorizing the issuance of such Outstanding Prior Lien Bonds and Section 5.03 hereof, and (b) with respect to the Special Hotel Occupancy Tax deposited to the credit of the Venue Project Fund, (i) the "City of Austin, Texas, Convention Center/Waller Creek Venue Project Bonds, Series 1999A", dated June 15, 1999, and originally issued in the aggregate principal amount of $25,000,000 and (ii) additional obligations hereafter issued payable from and secured by a parity lien on and pledge of the Special Hotel Occupancy Tax deposited to the credit of the Venue Project Fund.

Reimbursement Obligation - any obligation entered into by the City in connection with any Subordinate Lien Bonds 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 Subordinate Lien Bonds or reserves in connection therewith or otherwise relating to any Variable Rate Obligation. Reimbursement obligations may be payable from and secured by a lien on Pledged Revenues which must be junior and subordinate to the lien securing the Parity Bonds but may be on a parity with the lien on Pledged Revenues securing the Subordinate Lien Bonds.

Reserve Fund Surety Bond - 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 Section 4.06 of this Ordinance.

Reserve Fund Requirement - the amount required to be maintained in the Reserve Fund which amount shall be the lesser of (i) 10% of the principal amount 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 the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. Upon issuance of the Bonds, the Reserve Fund Requirement shall be $____________.

Special Hotel Occupancy Tax - 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, 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 a day.

Subordinate Lien Bonds - each series of bonds, notes or other obligations permitted to be issued by the City pursuant to the Ordinance as Subordinate Lien Bonds secured in whole or in part by liens on the

Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Parity Bonds.

Tax Act - Chapter 351 of the Texas Tax Code, Vernon's Texas Codes Annotated, as amended.

Transfer Date - each February 14, May 14, August 14, and November 14, beginning November 14, 1999.

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

Variable Rate Obligations - any series of Subordinate Lien Bonds, (i) the payment of principal of which is either (a) payable on demand by or at the option of the holder at a time sooner than a date on which such principal is scheduled for payment, or (b) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term through the issuance of additional Variable Rate Obligations pursuant to a commercial paper or other similar financing program and (ii) the purchase price, payment or refinancing of which is additionally secured by a letter of credit, line of credit, standby purchase agreement, bond insurance, surety bond or other credit or liquidity facility which does not impose a reimbursement obligation payable over a period shorter than three years.

Venue Project Fund - the Fund so designated created and by the City Council providing for the levy, assessment and collection of the Special Hotel Occupancy Tax

APPENDIX D

FORM OF BOND COUNSEL OPINION

September 15, 1999

IN REGARD to the authorization and issuance of the "City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 1999" (the "Bonds"), dated September 1, 1999 (the "Bond Date"), in the principal amount of $110,000,000, we have examined into the legality and validity of the issuance thereof by the City of Austin, Texas (the "City"), which Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a maturity), have stated maturities of November 15 in each of the years 2003 through 2021 and 2029, unless redeemed prior to maturity in accordance with the mandatory or optional redemption provisions set forth in the ordinance authorizing the issuance of the Bonds (the "Ordinance"), and bear interest on the unpaid principal amount from the Bond Date at the rates per annum stated in the Ordinance; such interest being payable on May 15 and November 15 in each year, commencing May 15, 2000, to the registered owners shown on the registration books of the Paying Agent/Registrar on the Record Date (stated on the face of the Bonds).

We have acted as Bond Counsel for the City solely to pass upon the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes, and none other. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City or with respect to the resources pledged to the payment of the Bonds and have not assumed any responsibility with respect thereto.

Our examination into the legality and validity of the Bonds included a review of the applicable and pertinent provisions of the Constitution and laws of the State of Texas; the Charter of the City, a transcript of certified proceedings of the City relating to the authorization, issuance, sale, and delivery of the Bonds, including the Ordinance; certificates and opinions of officials of the City; other pertinent instruments authorizing and relating to the issuance of the Bonds; and an examination of the Bond executed and delivered initially by the City, which we found to be in due form and properly executed.

Based on our examination, it is our opinion that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds are valid, legally binding and enforceable special obligations of the City in accordance with their terms, payable solely from and equally secured by a lien on certain Pledged Revenues (as defined in the Ordinance), such lien being junior and subordinate to the lien securing the payment of Prior Lien Bonds (identified and defined in the Ordinance) now outstanding and hereafter issued by the City, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally. The Ordinance provides certain conditions under which the City may issue additional obligations payable from the same source and secured in the same manner as the Bonds as well as additional obligations on a parity with the Prior Lien Bonds.

It is further our opinion that, assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance and in reliance upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, 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 hereof, of the owners thereof pursuant to section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on all tax-exempt obligations, such as 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, property and casualty insurance companies, life 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 tax credit, owners of 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.

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APPENDIX E

UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE CONVENTION CENTER AND THE CITY'S AUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 1998

CONVENTION CENTER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
Six months ended March, 1999
With comparative totals for six months ended March , 1998

CITY OF AUSTIN, TEXAS
UNAUDITED

		1999	1998
REVENUES			
User fees and rentals	$	4,504,511	4,506,386
Operating revenues		4,504,511	4,506,386
EXPENSES			
Operating expenses before depreciation		5,704,334	5,043,993
Depreciation		1,182,491	1,182,483
Total operating expenses		6,886,825	6,226,476
Operating loss before nonoperating revenues (expenses) and operating transfers		(2,382,314)	(1,720,090)
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues		677,430	620,292
Interest on revenue bonds and other debt		(2,331,400)	(2,399,125)
Amortization of bond issue cost		(35,363)	(35,363)
Other nonoperating expense		----	(33,499)
Total nonoperating revenues (expenses)		(1,689,333)	(1,847,695)
Loss before operating transfers		(4,071,647)	(3,567,785)
Operating transfers:			
Operating transfers in		7,906,132	5,474,886
Operating transfers out		(5,350)	----
Net Income		3,829,135	1,907,101
Add depreciation transferred to contributions		32,755	32,747
Net increase in retained earnings		3,861,890	1,939,848
Retained earnings at beginning of year		17,282,211	13,536,130
Retained earnings at end of period	$	21,144,101	15,475,978

Note: Retained earnings at the beginning of the year are stated on an annual basis and do not compare to retained earnings at the end of an interim period.

CONVENTION CENTER FUND
BALANCE SHEET
March 31, 1999
With comparative totals for March 31 , 1999

CITY OF AUSTIN, TEXAS
UNAUDITED

		1999	1998
ASSETS			
Current assets:			
Cash	$	2,000	2,000
Pooled investments and cash		6,733,675	6,196,439
Working capital advances		79,007	79,007
Total current assets		6,814,682	6,277,446
Restricted assets:			
Revenue bond debt service account		1,628,595	1,494,445
Revenue bond retirement reserve account		6,984,743	6,932,655
Construction account		----	958,116
Operating reserve account		7,532,236	5,520,266
Hotel occupancy tax account		711,273	438,007
Revenue account		2,321,810	2,467,824
Renewal and replacement account		920,981	373,501
Venue project fund		2,097,086	----
Total restricted assets		22,196,724	18,184,814
Fixed assets, at cost:			
Property, plant and equipment in service		102,415,324	99,553,338
Less accumulated depreciation		(19,566,393)	(17,060,445)
Net property, plant and equipment in service		82,848,931	82,492,893
Construction in progress		12,469,081	1,913,157
Net property, plant and equipment		95,318,012	84,406,050
Deferred costs and expenses, including bond issue cost, net of amortization		1,093,255	1,163,981
Total assets	$	125,422,673	110,032,291

(continued)

CONVENTION CENTER FUND
BALANCE SHEET
March 31, 1999
With comparative totals for March 31 , 1999

CITY OF AUSTIN, TEXAS
UNAUDITED

		1999	1998
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	$	53,648	44,059
Accrued payroll		182,153	166,112
Accrued compensated absences		177,941	205,474
General obligation bonds payable and other tax supported debt		14,474	----
Other liabilities		100,002	6
Total current liabilities		528,218	415,651
Liabilities payable from restricted assets:			
Due to other funds		10,831,729	----
Accrued interest payable		1,479,886	1,537,394
Revenue bonds payable within one year		2,575,000	1,977,459
Customer deposits		602,734	519,987
Other liabilities		32,475	2,099
Total liabilities payable from restricted assets		15,521,824	4,036,939
Long-term liabilities:			
Accrued compensated absences payable		160,427	71,869
General obligation bonds payable and other tax supported debt		261,649	----
Revenue bonds payable, net of discount and inclusive of premium		66,110,925	68,271,556
Total long-term liabilities		66,533,001	68,343,425
Total liabilities		82,583,043	72,796,015
Fund equity			
Contributions from municipality		18,980,286	18,979,561
Contributions from State and Federal governments		268,526	276,424
Contributions in aid of construction		1,958,281	2,015,877
Contributions from the private sector		488,436	488,436
Total contributions		21,695,529	21,760,298
Retained earnings:			
Reserved for renewal and replacement		920,981	373,501
Unreserved		20,223,120	15,102,477
Total retained earnings		21,144,101	15,475,978
Total fund equity		42,839,630	37,236,276
Total liabilities and fund equity	$	125,422,673	110,032,291

INDEPENDENT AUDITORS' REPORT

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

We have audited the general purpose financial statements of the City of Austin, Texas ("City") as of and for the year ended September 30, 1998, as listed in the accompanying table of contents under "General Purpose Financial Statements" and the following individual fund supporting financial statements included in Exhibit F-1, Exhibit F-2, and Exhibit F-3: Electric Fund Balance Sheet, Electric Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, Electric Fund Statement of Cash Flows, Water and Wastewater Fund Balance Sheet, Water and Wastewater Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, Water and Wastewater Fund Statement of Cash Flows, Airport Fund Balance Sheet, Airport Fund Statement of Revenues, Expenses, and Changes in Retained Earnings, and Airport Fund Statement of Cash Flows. These general purpose financial statements and individual fund supporting financial statements listed above are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements and individual fund supporting financial statements listed above based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Austin, Texas as of September 30, 1998, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the individual fund supporting financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds as of September 30, 1998, and the results of operations and the cash flows of such funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1, the City of Austin implemented Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* effective as of September 1, 1997, which changed its method of accounting for investments.

The year 2000 supplementary information on page 71 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund supporting financial statements referred to in the first paragraph. The accompanying combining, individual fund and individual account group financial statements and schedules, other than those referred to in the first paragraph, and schedules of general obligation bonds authorized and unissued and revenue bonds authorized, deauthorized, and unissued, as listed under "Supplemental Information" in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Austin, Texas. Such information, other than those individual fund supporting financial statements referred to in the first paragraph, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The schedules listed under "Statistical Section" in the accompanying table of contents were not audited by us, and, accordingly, we express no opinion on them.

KPMG LLP Martinez, Mendoza & Company, P.C.

Austin, Texas
February 5, 1999

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 1998
With comparative totals for September 30, 1997

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
ASSETS AND OTHER DEBITS				
Current assets:				
Cash	$ 81,573	5,613	--	--
Pooled investments and cash	44,561,333	38,841,615	--	114,814,363
Investments, at fair value	--	2,884,395	7,063,255	--
Working capital advances	--	--	--	--
Cash and investments held by trustee	--	--	--	--
Receivables, net of allowances:				
Property taxes	3,882,207	--	2,936,311	--
Accounts and other receivables	22,026,520	6,118,731	--	2,115,489
Receivables from other governments	--	15,923,071	--	--
Due from other funds	--	14,855,721	556,876	4,366,615
Inventories, at cost	1,149,717	--	--	--
Real property held for resale	--	1,065,241	--	--
Other assets	31,045	1,691,985	--	1,818,720
Total current assets	71,732,395	81,386,372	10,556,442	123,115,187
Restricted assets:				
Revenue bond current debt service account	--	--	--	--
Revenue bond future debt service account	--	--	--	--
Revenue bond retirement reserve account	--	--	--	--
Tax and revenue bond debt service account	--	--	--	--
Construction account	--	--	--	--
Construction account due from other funds	--	--	--	--
Construction account advances to other funds	--	--	--	--
Decommissioning account	--	--	--	--
Capital improvement account	--	--	--	--
Operating reserve account	--	--	--	--
Hotel occupancy tax account	--	--	--	--
Renewal and replacement account	--	--	--	--
Investments and cash held by trustee	--	--	--	--
Nuclear fuel inventory acquisition account	--	--	--	--
Mueller disposition account	--	--	--	--
Customer and escrow deposits	--	--	--	--
Other restricted accounts	--	--	--	--
Total restricted assets	--	--	--	--
Fixed assets, at cost:				
Property, plant and equipment	--	--	--	--
Less accumulated depreciation	--	--	--	--
Net property, plant and equipment	--	--	--	--
Investment in municipal utility districts	--	--	--	--
Advances to other funds	--	--	--	--
Other long-term assets	--	--	--	--
Deferred costs and expenses, net of amortization	--	--	--	--
Other debits:				
Amount available in Debt Service Fund	--	--	--	--
Amount to be provided for accrued compensated absences	--	--	--	--
Amount to be provided for retirement of general long-term debt	--	--	--	--
Total assets	$71,732,395	81,386,372	10,556,442	123,115,187

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1998	1997
39,450	26,291	--	--	--	152,927	186,647
92,277,017	42,494,089	7,381,704	--	--	340,370,121	334,965,249
--	--	--	--	--	9,947,650	11,216,351
3,867,194	--	--	--	--	3,867,194	3,942,259
--	234,786	--	--	--	234,786	195,759
--	--	--	--	--	6,818,518	6,248,314
103,851,816	312,013	--	--	--	134,424,569	116,461,745
30,234	--	22,581	--	--	15,975,886	13,498,669
1,774,085	339,062	--	--	--	21,892,359	15,076,314
42,591,663	1,726,931	--	--	--	45,468,311	38,319,391
--	--	--	--	--	1,065,241	2,088,225
15,639,212	1,711	--	--	--	19,182,673	14,415,978
260,070,671	45,134,883	7,404,285	--	--	599,400,235	556,614,901
104,832,101	--	--	--	--	104,832,101	105,003,695
156,547,474	--	--	--	--	156,547,474	102,798,751
175,635,855	--	--	--	--	175,635,855	197,443,346
100,265	--	--	--	--	100,265	93,857
346,167,073	340,394	--	--	--	346,507,467	398,223,683
384,424	--	--	--	--	384,424	538,424
1,037,571	--	--	--	--	1,037,571	1,421,995
49,332,878	--	--	--	--	49,332,878	39,110,328
17,706,677	--	--	--	--	17,706,677	11,346,690
12,255,351	--	--	--	--	12,255,351	6,576,044
1,466,403	--	--	--	--	1,466,403	437,016
5,842,437	--	--	--	--	5,842,437	5,301,666
24,745,878	--	--	--	--	24,745,878	5,934,207
31,424,932	--	--	--	--	31,424,932	23,573,057
608,543	--	--	--	--	608,543	960,464
14,426,120	--	--	--	--	14,426,120	9,105,205
2,360,770	--	--	--	--	2,360,770	3,401,009
944,874,752	340,394	--	--	--	945,215,146	911,269,437
5,274,190,287	43,740,463	--	550,451,274	--	5,868,382,024	5,432,654,097
(1,505,908,171)	(21,404,204)	--	--	--	(1,527,312,375)	(1,377,654,793)
3,768,282,116	22,336,259	--	550,451,274	--	4,341,069,649	4,054,999,304
2,746,428	--	--	--	--	2,746,428	19,187,815
19,101	--	--	--	--	19,101	161,745
532,854	--	--	--	--	532,854	--
586,384,558	71,242	--	--	--	586,455,800	558,667,755
--	--	--	--	7,269,980	7,269,980	7,529,385
--	--	--	--	42,658,185	42,658,185	33,079,299
--	--	--	--	500,027,010	500,027,010	475,076,408
5,562,910,480	67,882,778	7,404,285	550,451,274	549,955,175	7,025,394,388	6,616,586,049

(continued)

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 1998
With comparative totals for September 30, 1997

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Current liabilities:				
Accounts payable	$ 3,320,799	4,572,301	--	8,254,654
Accrued payroll	10,390,255	875,055	--	--
Accrued compensated absences	2,601,515	131,777	--	--
Claims payable	--	--	--	--
Construction contracts payable	--	--	--	--
Contract revenue bonds payable	--	--	--	--
Due to other governments	--	--	--	--
Due to other funds	112,827	14,855,721	452,832	4,328,300
Interest payable on other debt	--	--	--	--
General obligation bonds payable and other tax supported debt	--	--	--	--
Water improvement district bonds payable	--	--	--	--
Capital lease obligations payable	--	--	--	--
Other liabilities	6,018,052	35,248,700	2,833,630	1,652,867
Total current liabilities	22,443,448	55,683,554	3,286,462	14,235,821
Liabilities payable from restricted assets:				
Accounts and retainage payable	--	--	--	--
Due to other funds	--	--	--	--
Accrued interest payable	--	--	--	--
General obligation bonds and other tax supported debt payable	--	--	--	--
Revenue bonds payable within one year	--	--	--	--
Decommissioning expense payable	--	--	--	--
Nuclear fuel expense payable	--	--	--	--
Other liabilities	--	--	--	--
Total liabilities payable from restricted assets	--	--	--	--
Long-term obligations, net of current portion:				
Accrued compensated absences	--	--	--	--
Claims payable	--	--	--	--
Construction contracts payable	--	--	--	--
Contract revenue bonds payable, net of discount	--	--	--	--
Advances from other funds	--	--	--	--
Capital appreciation bond interest payable	--	--	--	--
Commercial paper notes payable	--	--	--	--
Revenue notes payable	--	--	--	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	--	--	--	--
Revenue bonds payable, net of discount and inclusive of premium	--	--	--	--
Water improvement district bonds payable	--	--	--	--
Capital lease obligations payable	--	--	--	--
Decommissioning assessment payable	--	--	--	--
Accrued landfill closure and postclosure costs	--	--	--	--
Deferred revenue and other credits	--	--	--	--
Total liabilities	$22,443,448	55,683,554	3,286,462	14,235,821

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	**Internal Service**	**Trust and Agency**	**General Fixed Assets**	**General Long-Term Debt**	**1998**	**1997**
22,947,057	3,603,251	65,101	--	--	42,763,163	63,219,726
7,426,027	2,961,961	--	--	--	21,653,298	21,115,721
11,517,073	4,225,976	--	--	--	18,476,341	16,727,803
--	13,071,737	--	--	--	13,071,737	12,275,579
204,041	--	--	--	--	204,041	161,922
5,695,000	--	--	--	--	5,695,000	5,020,000
1,083,021	--	1,470,413	--	--	2,553,434	3,589,663
573,814	728,842	38,315	--	--	21,090,651	15,614,738
5,579,223	112,867	--	--	--	5,692,090	4,110,494
2,855,513	1,348,917	--	--	--	4,204,430	3,492,969
332,000	--	--	--	--	332,000	130,000
1,848,919	--	--	--	--	1,848,919	1,776,312
6,836,267	933,274	2,235,214	--	--	55,758,004	54,170,781
66,897,955	26,986,825	3,809,043	--	--	193,343,108	201,405,708
42,969,941	--	--	--	--	42,969,941	23,185,850
1,186,132	--	--	--	--	1,186,132	--
59,296,239	--	--	--	--	59,296,239	62,868,981
4,194,973	--	--	--	--	4,194,973	2,669,357
101,808,872	--	--	--	--	101,808,872	95,807,453
48,827,308	--	--	--	--	48,827,308	39,110,328
31,424,932	--	--	--	--	31,424,932	23,573,057
19,532,303	--	--	--	--	19,532,303	5,015,030
309,240,700	--	--	--	--	309,240,700	252,230,056
5,889,737	1,750,374	--	--	42,658,185	50,298,296	40,908,727
--	6,629,290	--	--	--	6,629,290	11,270,557
2,018,023	--	--	--	--	2,018,023	2,727,507
101,359,940	--	--	--	--	101,359,940	107,455,000
61,651	995,021	--	--	--	1,056,672	1,583,740
98,328,153	--	--	--	--	98,328,153	119,112,419
294,412,023	--	--	--	--	294,412,023	229,108,000
28,000,000	--	--	--	--	28,000,000	--
57,293,201	5,752,273	--	--	507,296,990	570,342,464	521,154,838
2,707,378,996	--	--	--	--	2,707,378,996	2,760,241,266
1,076,000	--	--	--	--	1,076,000	483,000
21,599,999	--	--	--	--	21,599,999	23,448,918
2,791,495	--	--	--	--	2,791,495	2,791,495
6,224,517	--	--	--	--	6,224,517	8,640,380
6,833,287	--	--	--	--	6,833,287	7,792,346
3,709,405,677	42,113,783	3,809,043	--	549,955,175	4,400,932,963	4,290,353,957

(continued)

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 1998
With comparative totals for September 30, 1997

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS Continued				
Equity and other credits:				
Contributions from municipality	$ --	--	--	--
Contributions from State and Federal governments	--	--	--	--
Contributions in aid of construction	--	--	--	--
Contributions from the private sector	--	--	--	--
Investment in general fixed assets	--	--	--	--
Retained earnings:				
Reserved for renewal and replacement	--	--	--	--
Reserved for passenger facility charge	--	--	--	--
Unreserved	--	--	--	--
Fund balances:				
Reserved for encumbrances	7,605,930	3,806,754	--	34,276,462
Reserved for inventories and prepaid items	1,180,762	--	--	--
Reserved for notes receivable	--	3,421,204	--	--
Reserved for real property held for resale	--	1,065,241	--	--
Reserved for nonexpendable trust	--	--	--	--
Unreserved:				
Designated for emergency reserve	14,838,623	--	--	--
Designated for contingency reserve	164,110	--	--	--
Designated for future use	--	17,445,371	--	--
Designated for debt service	--	--	7,269,980	--
Designated for purposes of trust	--	--	--	--
Undesignated	25,499,522	(35,752)	--	74,602,904
Total equity and other credits	49,288,947	25,702,818	7,269,980	108,879,366
Total liabilities, equity and other credits	$71,732,395	81,386,372	10,556,442	123,115,187

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	**Internal Service**	**Trust and Agency**	**General Fixed Assets**	**General Long-Term Debt**	**1998**	**1997**
52,135,175	26,685,384	--	--	--	78,820,559	70,654,913
142,919,642	--	--	--	--	142,919,642	141,603,047
352,178,607	--	--	--	--	352,178,607	324,049,533
4,175,344	--	--	--	--	4,175,344	3,775,344
--	--	--	550,451,274	--	550,451,274	499,241,649
5,842,437	--	--	--	--	5,842,437	5,301,666
116,638	--	--	--	--	116,638	1,494,965
1,296,136,960	(916,389)	--	--	--	1,295,220,571	1,113,180,742
--	--	--	--	--	45,689,146	32,905,590
--	--	--	--	--	1,180,762	895,142
--	--	--	--	--	3,421,204	2,222,487
--	--	--	--	--	1,065,241	2,088,225
--	--	76,374	--	--	76,374	76,374
--	--	--	--	--	14,838,623	14,373,711
--	--	--	--	--	164,110	1,858,337
--	--	--	--	--	17,445,371	11,338,666
--	--	--	--	--	7,269,980	7,529,385
--	--	3,518,868	--	--	3,518,868	2,942,403
--	--	--	--	--	100,066,674	90,699,913
1,853,504,803	25,768,995	3,595,242	550,451,274	--	2,624,461,425	2,326,232,092
5,562,910,480	67,882,778	7,404,285	550,451,274	549,955,175	7,025,394,388	6,616,586,049

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended September 30, 1998
With comparative totals for year ended September 30, 1997

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Taxes	$ 190,949,086	19,592,578	57,639,024	--
Franchise fees	16,861,639	--	--	--
Fines, forfeitures and penalties	14,492,863	2,609,672	--	--
Licenses, permits and inspections	15,540,712	--	--	--
Charges for services/goods	10,260,908	37,414,331	--	--
Intergovernmental revenues	--	46,517,401	--	11,114,049
Property owners' participation and contributions	--	--	--	963,557
Contributions to trusts	--	--	--	--
Interest and other	12,623,348	6,610,835	3,161,610	6,735,239
Unrealized gain on investments	452,669	231,505	--	600,065
Total revenues	261,181,225	112,976,322	60,800,634	19,412,910
EXPENDITURES				
Current, including capital outlay in the General Fund of $3,916,632				
Administration	6,696,560	46,374,184	--	--
Urban growth management	8,380,122	--	--	--
Public safety	162,733,100	--	--	--
Public services and utilities	10,128,139	--	--	--
Public health	37,060,371	--	--	--
Public recreation and culture	35,861,623	--	--	--
Social services management	8,204,845	--	--	--
Nondepartmental expenditures	41,130,459	--	--	--
Special projects	--	48,909,943	--	--
Capital outlay for construction	--	--	--	57,873,877
Debt service:				
Principal retirement	--	--	22,570,196	--
Interest, commissions and other	--	--	40,751,170	--
Total expenditures	310,195,219	95,284,127	63,321,366	57,873,877
Excess (deficiency) of revenues over expenditures	(49,013,994)	17,692,195	(2,520,732)	(38,460,967)
OTHER FINANCING SOURCES (USES)				
Proceeds of refunding bonds	--	--	--	--
Payment to refunded bond escrow agent	--	--	--	--
Proceeds of refunding bonds	--	--	103,705,974	--
Payment to escrow agent	--	--	(103,705,974)	--
Proceeds from issuance of general obligation bonds and other tax supported debt	--	--	--	37,605,000
Operating transfers in	72,721,264	21,561,687	2,261,327	20,094,160
Operating transfers out	(9,846,866)	(31,600,710)	--	(13,262,709)
Total other financing sources (uses)	62,874,398	(10,039,023)	2,261,327	44,436,451
Excess (deficiency) of revenues and other sources over expenditures and other uses	13,860,404	7,653,172	(259,405)	5,975,484
Fund balances at beginning of year	35,428,543	18,049,646	7,529,385	102,903,882
Fund balances at end of year	$ 49,288,947	25,702,818	7,269,980	108,879,366

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

Fiduciary Fund Type	Totals (Memorandum Only)	
Expendable Trust	1998	1997
--	268,180,688	242,201,621
--	16,861,639	14,743,888
--	17,102,535	14,124,302
--	15,540,712	12,888,265
--	47,675,239	45,982,895
--	57,631,450	52,850,367
--	963,557	25,143
364,574	364,574	747,171
180,226	29,311,258	19,114,862
13,423	1,297,662	--
558,223	454,929,314	402,678,514
--	53,070,744	52,244,787
--	8,380,122	7,501,086
36,392	162,769,492	144,320,511
50,364	10,178,503	9,731,954
14,855	37,075,226	43,194,526
290,147	36,151,770	33,106,873
--	8,204,845	6,738,940
--	41,130,459	39,823,069
--	48,909,943	50,984,108
--	57,873,877	62,700,644
--	22,570,196	21,502,464
--	40,751,170	38,481,239
391,758	527,066,347	510,330,201
166,465	(72,137,033)	(107,651,687)
--	--	--
--	--	--
--	103,705,974	--
--	(103,705,974)	--
--	37,605,000	58,650,000
410,000	117,048,438	96,128,963
--	(54,710,285)	(30,985,250)
410,000	99,943,153	123,793,713
576,465	27,806,120	16,142,026
2,942,403	166,853,859	150,711,833
3,518,868	194,659,979	166,853,859

GENERAL FUND, SPECIAL REVENUE FUNDS AND DEBT SERVICE FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-BUDGET BASIS
Year ended September 30, 1998

	General Fund			Annually Budgeted Special Revenue Funds		
	Actual-Budget Basis	**Budget**	**Variance -- Favorable (Unfavorable)**	**Actual-Budget Basis**	**Budget**	**Variance -- Favorable (Unfavorable)**
REVENUES						
Taxes	$ 190,949,086	182,671,354	8,277,732	--	--	--
Franchise fees	16,861,639	15,218,152	1,643,487	--	--	--
Fines, forfeitures and penalties	14,492,863	12,829,131	1,663,732	--	--	--
Licenses, permits and inspections	15,540,712	13,301,691	2,239,021	--	--	--
Charges for services/goods	10,260,908	10,607,241	(346,333)	--	--	--
Interest and other	13,076,017	11,230,724	1,845,293	58,541,723	55,205,942	3,335,781
Total revenues	261,181,225	245,858,293	15,322,932	58,541,723	55,205,942	3,335,781
EXPENDITURES						
Administration	6,675,279	6,715,122	39,843	45,771,492	49,759,627	3,988,135
Urban growth management	8,167,036	8,182,155	15,119	--	--	--
Public safety	160,429,734	161,329,977	900,243	--	--	--
Public services and utilities	9,933,983	10,332,039	398,056	--	--	--
Public health	37,622,968	40,884,055	3,261,087	--	--	--
Public recreation and culture	35,940,511	36,068,329	127,818	--	--	--
Social services management	8,118,390	8,118,390	--	--	--	--
Nondepartmental expenditures	7,291,326	6,455,460	(835,866)	--	--	--
Principal redemption	--	--	--	--	--	--
Interest and other	--	--	--	--	--	--
Fees and commissions	--	--	--	--	--	--
Total expenditures	274,179,227	278,085,527	3,906,300	45,771,492	49,759,627	3,988,135
Excess (deficiency) of revenues over expenditures	(12,998,002)	(32,227,234)	19,229,232	12,770,231	5,446,315	7,323,916
OTHER FINANCING SOURCES (USES)						
Operating transfers in	72,721,264	73,221,264	(500,000)	21,401,687	20,270,559	1,131,128
Operating transfers out	(45,486,433)	(45,626,433)	140,000	(31,400,722)	(28,109,045)	(3,291,677)
Total other financing sources (uses)	27,234,831	27,594,831	(360,000)	(9,999,035)	(7,838,486)	(2,160,549)
Excess (deficiency) of revenues and other sources over expenditures and other us	14,236,829	(4,632,403)	18,869,232	2,771,196	(2,392,171)	5,163,367
Fund balances at beginning of year	33,024,140	19,887,970	13,136,170	6,090,320	6,090,320	--
Fund balances at end of year	$ 47,260,969	15,255,567	32,005,402	8,861,516	3,698,149	5,163,367

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

Debt Service Fund			Totals (Memorandum Only)		
Actual-Budget Basis	Budget	Variance -- Favorable (Unfavorable)	Actual-Budget Basis	Budget	Variance -- Favorable (Unfavorable)
57,639,024	58,090,650	(451,626)	248,588,110	240,762,004	7,826,106
--	--	--	16,861,639	15,218,152	1,643,487
--	--	--	14,492,863	12,829,131	1,663,732
--	--	--	15,540,712	13,301,691	2,239,021
--	--	--	10,260,908	10,607,241	(346,333)
4,321,074	4,107,015	214,059	75,938,814	70,543,681	5,395,133
61,960,098	62,197,665	(237,567)	381,683,046	363,261,900	18,421,146
--	--	--	52,446,771	56,474,749	4,027,978
--	--	--	8,167,036	8,182,155	15,119
--	--	--	160,429,734	161,329,977	900,243
--	--	--	9,933,983	10,332,039	398,056
--	--	--	37,622,968	40,884,055	3,261,087
--	--	--	35,940,511	36,068,329	127,818
--	--	--	8,118,390	8,118,390	--
--	--	--	7,291,326	6,455,460	(835,866)
28,577,772	28,318,641	(259,131)	28,577,772	28,318,641	(259,131)
43,237,006	43,823,414	586,408	43,237,006	43,823,414	586,408
5,449	10,000	4,551	5,449	10,000	4,551
71,820,227	72,152,055	331,828	391,770,946	399,997,209	8,226,263
(9,860,129)	(9,954,390)	94,261	(10,087,900)	(36,735,309)	26,647,409
9,600,724	9,541,093	59,631	103,723,675	103,032,916	690,759
--	--	--	(76,887,155)	(73,735,478)	(3,151,677)
9,600,724	9,541,093	59,631	26,836,520	29,297,438	(2,460,918)
(259,405)	(413,297)	153,892	16,748,620	(7,437,871)	24,186,491
7,529,385	7,573,926	(44,541)	46,643,845	33,552,216	13,091,629
7,269,980	7,160,629	109,351	63,392,465	26,114,345	37,278,120

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
Year ended September 30, 1998
With comparative totals for year ended September 30, 1997

	Proprietary Fund Types	
	Enterprise	Internal Service
REVENUES		
Electric services	$ 668,371,051	--
Water and wastewater services	201,791,794	--
User fees and rentals	126,190,892	--
Billings to departments	--	135,107,376
Employee contributions	--	13,864,121
Operating revenues from other governments	9,075,130	--
Other operating revenues	--	2,909,283
Operating revenues	1,005,428,867	151,880,780
EXPENSES		
Electric operations	332,985,598	--
Water and wastewater operations	80,952,915	--
Other enterprise operations	92,853,875	--
Internal service operations	--	141,200,585
Depreciation	147,273,030	1,959,285
Total operating expenses	654,065,418	143,159,870
Operating income (loss) before nonoperating revenues (expenses) and operating transfers	351,363,449	8,720,910
NONOPERATING REVENUES (EXPENSES)		
Interest and other revenues	75,136,072	795,333
Unrealized gain on investments	10,791,937	46,225
Interest on revenue bonds and other debt	(224,706,381)	(374,797)
Interest capitalized during construction	10,976,299	--
Amortization of bond issue costs	(1,085,868)	(3,178)
Other nonoperating expense	(13,580,840)	(302,287)
Total nonoperating revenues (expenses)	(142,468,781)	161,296
Costs to be recovered in future years	18,774,460	--
Income (loss) before operating transfers	227,669,128	8,882,206
Operating transfers:		
Operating transfers in	18,268,624	--
Operating transfers out	(79,976,777)	(630,000)
Net income (loss)	165,960,975	8,252,206
Add depreciation transferred to contributions	6,989,092	--
Retained earnings reclassed to contributed capital	--	--
Net increase in retained earnings/fund balances	172,950,067	8,252,206
Retained earnings/fund balances at beginning of year	1,129,145,968	(9,168,595)
Retained earnings/fund balances at end of year	$ 1,302,096,035	(916,389)

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

Fiduciary Fund Type	Totals (Memorandum Only)	
Nonexpendable Trust	1998	1997
--	668,371,051	594,331,154
--	201,791,794	179,930,436
--	126,190,892	107,728,281
--	135,107,376	130,808,492
--	13,864,121	12,739,791
--	9,075,130	--
--	2,909,283	2,474,237
--	1,157,309,647	1,028,012,391
--	332,985,598	308,089,979
--	80,952,915	75,031,366
--	92,853,875	81,059,176
--	141,200,585	142,707,109
--	149,232,315	136,100,328
--	797,225,288	742,987,958
--	360,084,359	285,024,433
--	75,931,405	66,971,854
--	10,838,162	--
--	(225,081,178)	(225,596,952)
--	10,976,299	4,935,692
--	(1,089,046)	(969,842)
--	(13,883,127)	(7,935,959)
--	(142,307,485)	(162,595,207)
--	18,774,460	25,612,997
--	236,551,334	148,042,223
--	18,268,624	10,408,543
--	(80,606,777)	(75,552,256)
--	174,213,181	82,898,510
--	6,989,092	4,420,306
--	--	(3,519,622)
--	181,202,273	83,799,194
76,374	1,120,053,747	1,036,254,553
76,374	1,301,256,020	1,120,053,747

Year ended September 30, 1998
With comparative totals for year ended September 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 980,797,314	150,331,463	--	1,131,128,777	1,041,569,272
Cash payments to suppliers for goods and services	(362,097,435)	(56,461,362)	--	(418,558,797)	(341,921,097)
Cash payments to employees for services	(139,806,182)	(64,089,989)	--	(203,896,171)	(197,427,271)
Cash payments to claimants/beneficiaries	--	(26,205,411)	--	(26,205,411)	(24,878,116)
Cash received from other governments	7,108,832	--	--	7,108,832	839,569
Taxes collected and remitted to other governments	(14,482,333)	--	--	(14,482,333)	(12,278,859)
Net cash provided by operating activities	471,520,196	3,574,701	--	475,094,897	465,903,498
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers in	18,268,624	--	--	18,268,624	10,408,543
Operating transfers out	(79,976,777)	(630,000)	--	(80,606,777)	(75,552,256)
Cash received from other funds	--	77,370	--	77,370	127,465
Interest paid on revenue notes and other debt	(150,611)	--	--	(150,611)	(378,409)
Decrease in deferred assets	316,085	--	--	316,085	(40,188)
Contributions from private sector	400,000	--	--	400,000	--
Loans (to) from other funds	37,156	(77,370)	--	(40,214)	(272,910)
Contributions from municipality	--	165,939	--	165,939	--
Net cash used by noncapital financing activities	(61,105,523)	(464,061)	--	(61,569,584)	(65,707,755)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from long-term debt issues	101,660,000	--	--	101,660,000	98,245,000
Principal paid on long-term debt	(109,009,961)	(1,157,689)	--	(110,167,650)	(93,762,051)
Proceeds from the sale of fixed assets	646,685	--	--	646,685	--
Purchased interest received	9,491	--	--	9,491	860,362
Interest paid on revenue bonds and other debt	(190,603,057)	(346,247)	--	(190,949,304)	(193,469,665)
Acquisition and construction of capital assets	(312,550,475)	(10,447,121)	--	(322,997,596)	(319,105,436)
Contributions from municipality	132,656	7,114,327	--	7,246,983	6,862,173
Contributions from State and Federal governments	23,532,213	--	--	23,532,213	31,671,958
Contributions in aid of construction	29,308,543	--	--	29,308,543	17,880,294
Bond discounts and issuance costs	8,126,919	--	--	8,126,919	(7,907,009)
Bonds issued for advanced refundings of debt	309,351,591	--	--	309,351,591	227,215,000
Cash paid for bond refundings/defeasances	(340,312,964)	--	--	(340,312,964)	(223,103,804)
Proceeds from municipal utility district reserves	18,205,377	--	--	18,205,377	536,767
Cash paid for nuclear fuel inventory	(4,937,020)	--	--	(4,937,020)	(12,803,526)
Net cash used by capital and related financing activities	$ (466,440,002)	(4,836,730)	--	(471,276,732)	(466,879,937)

(continued)

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

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	1998	1997
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investment securities	$(1,487,708,756)	--	--	(1,487,708,756)	(2,030,169,436)
Proceeds from sale and maturities of investment securities	1,515,008,283	--	--	1,515,008,283	1,994,504,596
Interest on investments	55,581,768	573,806	--	56,155,574	57,511,304
Reverse repurchase agreement income	13,499,115	221,527	--	13,720,642	6,138,914
Unrealized gain on investments	2,153,967	46,225	--	2,200,192	--
Reverse repurchase agreement expense	(13,131,171)	(215,510)	--	(13,346,681)	(5,969,537)
Net cash provided by investing activities	85,403,206	626,048	--	86,029,254	22,015,841
Net increase (decrease) in cash and cash equivalents	29,377,877	(1,100,042)	--	28,277,835	(44,668,353)
Cash and cash equivalents, October 1, 1997 (2)	341,051,905	44,195,602	76,374	385,323,881	429,992,234
Cash and cash equivalents, September 30, 1998 (2)	370,429,782	43,095,560	76,374	413,601,716	385,323,881
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	351,363,449	8,720,910	--	360,084,359	285,024,433
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	147,273,030	1,959,285	--	149,232,315	136,100,328
Allowance for uncollectible accounts	(4,525,367)	--	--	(4,525,367)	(374,217)
Amortization	12,788,895	--	--	12,788,895	14,518,979
Change in assets and liabilities:					
(Increase) decrease in working capital advances	75,065	--	--	75,065	(1,589,829)
(Increase) decrease in accounts receivable	(13,481,382)	(120,654)	--	(13,602,036)	1,994,500
(Increase) decrease in receivable from other governments	39,661	--	--	39,661	(45,261)
Decrease in due from other funds	59,437	39,550	--	98,987	59,820
(Increase) decrease in inventory	(6,623,999)	(265,285)	--	(6,889,284)	13,820,629
(Increase) decrease in prepaid expenses and deferred costs	3,708,236	45,658	--	3,753,894	(5,178,325)
Decrease in other regulatory assets	317,067	--	--	317,067	335,305
Increase (decrease) in accounts payable	(20,914,886)	(362,293)	--	(21,277,179)	1,914,810
Increase (decrease) in accrued payroll and compensated absences	1,965,194	(430,391)	--	1,534,803	2,826,711
Increase (decrease) in deferred revenue	(1,608,391)	(1,866,261)	--	(3,474,652)	11,234,604
Decrease in decommissioning assessment payable	--	--	--	--	(214,730)
Decrease in unrecovered fuel revenue	(6,289,042)	--	--	(6,289,042)	(6,514,543)
Increase (decrease) in accrued landfill closure costs	(2,415,863)	--	--	(2,415,863)	888,988
Increase (decrease) in claims payable	--	(3,845,109)	--	(3,845,109)	1,959,460
Increase (decrease) in due to other governments	(1,029,031)	--	--	(1,029,031)	2,078,440
Increase (decrease) in due to other funds	(327,485)	(61,670)	--	(389,155)	32,248
Decrease in advance from other funds	--	(273,037)	--	(273,037)	(40,849)
Increase in other liabilities	11,934,754	33,998	--	11,968,752	7,334,084
Decrease in customer deposits	(789,146)	--	--	(789,146)	(262,087)
Total adjustments	120,156,747	(5,146,209)	--	115,010,538	180,879,065
Net cash provided by operating activities	$ 471,520,196	3,574,701	--	475,094,897	465,903,498

(continued)

(1) Nonexpendable trust fund cash and cash equivalents of $76,374 are reported on the balance sheet with all trust and agency funds' pooled investments and cash of $6,459,220 at October 1, 1997 and $7,381,704 at September 30, 1998.

(2) Cash and cash equivalents includes $224,817,037 and $342,111 in enterprise and internal service funds' restricted accounts, respectively at October 1, 1997 and $278,113,315 and $340,394 in enterprise and internal service funds' restricted accounts, respectively at September 30, 1998.

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

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Nonexpendable Trust (1)	1998	1997
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Increase in deferred assets/expenses	$ 28,041,177	78,864	--	28,120,041	32,552,208
Unamortized bond discounts/issue costs on advance refundings	(2,746,775)	--	--	(2,746,775)	(17,567,518)
(Increase) decrease in capital appreciation bond interest payable	20,811,869	--	--	20,811,869	(23,110,327)
Fixed assets contributed from other funds	1,723,396	4,098,759	--	5,822,155	2,385,243
Increase in contributed facilities	24,522,078	--	--	24,522,078	8,111,717
Unrealized gain on investments	8,637,970	--	--	8,637,970	--
Amortization of bond discounts, premiums, and issue costs	(6,324,043)	(3,178)	--	(6,327,221)	(6,037,867)
Amortization of deferred loss on refundings	(600,160)	--	--	(600,160)	(600,161)
Loss on disposal of assets	(449,669)	(86,777)	--	(536,446)	(1,966,422)
Costs to be recovered in future years	18,774,460	--	--	18,774,460	25,612,997
Loss on extinguishment of debt	(17,275,264)	--	--	(17,275,264)	(16,132,595)
Due to other funds for fixed assets	(92,477)	--	--	(92,477)	(123,302)

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

1 -- REPORTING ENTITY

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government, with a City Council composed of a Mayor and six Councilmembers, all of whom are elected at large for three-year staggered terms.

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

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

Blended Component Units

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

Related Organizations

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

The City retirement plans (described in Note 9) and the City of Austin Deferred Compensation Plan for City employees are not included in the City’s reporting entity.

2 -- SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Funds

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

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

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

Debt Service Fund -- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

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

Proprietary Funds

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

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

The City's enterprise funds are the following:

Fund	Accounts For
Electric System	Activities of the City-owned electric utility
Water and Wastewater System	Activities of the City-owned water and wastewater utility
Hospital	Activities related to the lease of City-owned Brackenridge Hospital
Airport	Operations of the Robert Mueller Municipal Airport and construction of the Austin-Bergstrom International Airport
Solid Waste Services	Solid waste collection and disposal activities
Convention Center	Operations of the Convention Center, Palmer Auditorium, and the City Coliseum
Drainage	Drainage management activities
Transportation	Street maintenance activities
Performance Contracting	Energy conservation products and service activities
Golf	Public golf courses
Parks and Recreation	City-sponsored softball and recreation programs

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

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

Fiduciary Funds

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

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

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

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Account Groups

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

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

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

Basis of Accounting

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

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

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

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

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

Investment earnings are recorded on the accrual basis in all funds; unrealized gains or losses on investments are also recognized in all funds.

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

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Revenues for the Airport Fund are recognized as they are billed to customers. Effective November 1, 1993, the Airport Fund began to charge each emplaned passenger a $3 passenger facility charge, as allowed by the Federal Aviation Administration. Airport Fund 1998 operating revenues included passenger facility charges of $8,142,343. These funds have been approved by the FAA for use in the construction of the Austin-Bergstrom International Airport.

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

Rates

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

Budget

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

(1) At least thirty days prior to the beginning of the new fiscal year, the City Manager submits a proposed budget to the City Council. The budget represents the financial plan for the new fiscal year and includes proposed expenditures and the means of financing them.

(2) Public hearings are conducted on the budget.

(3) The budget is legally enacted by the City Council no later than the twenty-seventh day of the last month of the old fiscal year, through passage of an appropriation ordinance and tax levying ordinance.

(4) The City Manager has the authority to transfer appropriation balances from one expenditure account to another within a single office, department, or agency of the City. The City Council must approve amendments to the budget and transfers of appropriations from one office, department, or agency to another. The budgetary data presented in these financial statements have been revised for amendments authorized during the year. A reconciliation of original to amended budget for the General Fund is presented in Note 3.

(5) Formal budgetary control through the accounting system is employed as a management control device during the year for the General Fund, certain non-grant special revenue funds, Debt Service Fund and proprietary funds. Management control for the operating budget is maintained at the office, department or agency level. Formal budgetary control through the accounting system is employed as a management control device in the special revenue grant funds and capital projects funds for the life of the related grants or projects.

(6) Annual budgets are legally adopted for the General Fund, certain special revenue funds, the Debt Service Fund, certain trust funds, and proprietary funds. Budgets for the grant-related special revenue funds are established pursuant to the terms of the related grant awards. A comparison of budget to actual is presented in the financial statements for all governmental funds that adopt annual budgets. A comparison of budget to actual for other fund types is prepared for budget purposes, but is not legally required and is not presented in the financial statements.

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

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Encumbrances

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

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

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

Pooled Investments and Cash

Cash balances of all City funds (except for certain funds shown in Note 6 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of U.S. government obligations and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (see Note 6) as of October 1, 1997. GASB Statement No. 31 requires certain investments to be reported at fair value. The fair value is based on quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments at fair value as of September 30, 1998.

Inventories

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

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

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Property, Plant and Equipment -- Proprietary Funds

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

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

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

The City is accelerating the depreciation of two generating stations that will be retired before the end of their estimated useful life. The increase to Electric Fund 1998 depreciation expense for this accelerated depreciation is $1,003,010.

The City is accelerating the depreciation of buildings and improvements at Robert Mueller Municipal Airport to reflect the scheduled 1999 closure of Mueller Airport and the opening of the Austin-Bergstrom International Airport. The increase to Airport Fund 1998 depreciation expense for this accelerated depreciation is approximately $10.6 million. In addition, the City has recorded capitalized interest in the Airport Fund of $10,976,299.

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

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

General Fixed Assets

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

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

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Debt

The debt service for general obligation bonds and other general obligation debt issued to fund general government capital projects is paid from tax revenues and interfund transfers. Such general obligation debt is recorded in the General Long-Term Debt Account Group.

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

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

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

Compensated Absences

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

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

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

Risk Management

The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts, including medical malpractice; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. The City continues to be self-insured for liabilities for most health benefits, third-party and workers' compensation claims.

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

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Pension Plans

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

Federal and State Grants, Entitlements and Shared Revenues

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

Revenues received for activities normally recorded in other governmental funds are accounted for within these special revenue fund groups: Federal grant funds, State grant funds, and other special revenue grant funds. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund. Grant money restricted for acquisition or construction of capital assets is recorded as contributed equity in the applicable proprietary fund.

Intergovernmental Revenues, Receivables and Liabilities

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

Transactions Between Funds

During the course of normal operations, the City has numerous transactions between funds. Short-term advances between funds are accounted for in the pooled investments and cash accounts. Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

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

Comparative Data

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

Reclassifications and Restatements

Certain comparative data have been reclassified or restated to present them in a manner consistent with the current year's financial statements.

2 -- SIGNIFICANT ACCOUNTING POLICIES, continued

Total Columns on Combined Financial Statements

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

Deferred Items

The City's utility systems are reported in accordance with Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. Certain utility expenses that do not currently require funds are deferred to future periods in which they are intended to be recovered by rates. Likewise, certain credits to income are deferred to periods in which they are matched with related costs. Deferred expenses will be recovered in these future periods by setting rates sufficient to provide funds for the related debt service requirements. If rates being charged will not recover deferred expenses, the deferred expenses will be subject to write off.

Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues and expenses. However, City management believes that deregulation and its effects are now uncertain and do not warrant a change in accounting policy.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investment and cash accounts.

Landfill Closure and Postclosure Care Costs

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

Governmental Accounting Standards Board (GASB) Statement 20

In accordance with GASB Statement 20, the City is required to follow all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, including FASB Statement No. 71, unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued subsequent to that date.

3 -- BUDGET BASIS REPORTING

a -- General

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

3 -- BUDGET BASIS REPORTING, continued

b -- Reconciliation of GAAP Basis and Budget Basis Amounts

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

	General Fund	Special Revenue Funds (1)
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 13,860,404	6,671,983
Adjustment:		
Less: Excess revenues and other sources over expenditures and other uses for nonbudgeted funds - GAAP basis	--	(2,615,066)
Adjusted excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	13,860,404	4,056,917
Other adjustments:		
Increase due to unbudgeted payroll accrual	--	8,889
Increase due to net compensated absences accrual	1,344,709	32,161
Decrease due to outstanding encumbrances established in 1998	(6,549,914)	(3,085,242)
Increase due to payments against prior year encumbrances	5,581,630	1,758,471
Excess revenues and other sources over expenditures and other uses - budget basis	$ 14,236,829	2,771,196

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

Within the General Fund, the nondepartmental expenditures' line reported expenditures in excess of appropriations of $835,866. This area represents fund-wide costs not budgeted within individual departments.

The Municipal Court Building Security fund, a budgeted special revenue fund, reported expenditures in excess of appropriations of $3,335. This fund did not report a deficit fund balance.

Although the Debt Service Fund is prepared on a budget basis, no differences exist between GAAP basis and budget basis fund balance for this fund except for the amount of enterprise-related and certain departmental-related debt payments ($7,339,397) budgeted as operating transfers.

3 -- BUDGET BASIS REPORTING, continued

c -- Budget Amendments

The original budget of the General Fund was amended several times during 1998. The following table compares original to amended budgets:

	Original Budget	Amendments Increase (Decrease)	Amended Budget
REVENUES			
Taxes	$ 181,923,127	748,227	182,671,354
Franchise fees	15,068,866	149,286	15,218,152
Fines, forfeitures and penalties	12,829,131	--	12,829,131
Licenses, permits and inspections	13,301,691	--	13,301,691
Charges for services/goods	10,544,443	62,798	10,607,241
Interest and other	5,533,614	5,697,110	11,230,724
Total revenues	239,200,872	6,657,421	245,858,293
EXPENDITURES			
Administration	6,780,604	(65,482)	6,715,122
Urban growth management	8,261,048	(78,893)	8,182,155
Public safety	154,077,318	7,252,659	161,329,977
Public services and utilities	10,289,779	42,260	10,332,039
Public health:			
Physician stipend/Charity care	10,452,003	--	10,452,003
Medical Assistance Program- hospital contracted services/patient services	6,827,550	--	6,827,550
Other public health	23,983,498	(378,996)	23,604,502
Public recreation and culture	34,763,240	1,305,089	36,068,329
Social services management	8,118,390	--	8,118,390
Nondepartmental expenditures	9,805,460	(3,350,000)	6,455,460
Total expenditures	273,358,890	4,726,637	278,085,527
TRANSFERS			
Operating transfers in	73,221,264	--	73,221,264
Operating transfers out	(41,141,507)	(4,484,926)	(45,626,433)
Total transfers	32,079,757	(4,484,926)	27,594,831
Deficiency of revenues and other sources over expenditures and other uses	$ (2,078,261)	(2,554,142)	(4,632,403)

The amended budget is presented in the accompanying financial statements. The General Fund budget includes other requirements, which are presented here in the nondepartmental category. The amended budget for these nondepartmental requirements includes the following: tuition reimbursement ($85,000), accrued payroll ($950,500) and expenses for workers' compensation ($2,419,960) and liability reserve ($3,000,000).

3 -- BUDGET BASIS REPORTING, continued

There were budget amendments to the following special revenue funds during 1998:

	Original Budget	Amendments Increase (Decrease)	Amended Budget
REVENUES			
Disproportionate Share	$ 1,810,000	911,465	2,721,465
Planning, Environmental and Conservation Services	6,204,980	187,523	6,392,503
Police Federal Seized Funds	500,000	927,806	1,427,806
Public Improvement District	--	830,225	830,225
EXPENDITURES			
Child Safety Fund	1,417,683	22,395	1,440,078
Energy Conservation Rebates and Incentives	10,905,588	(2,564,000)	8,341,588
Federally Qualified Health Center	13,652,684	1,928,503	15,581,187
Planning, Environmental and Conservation Services	8,111,887	(1,539,823)	6,572,064
Police Federal Seized Funds	565,000	200,000	765,000
Public Improvement District	--	930,225	930,225
OPERATING TRANSFERS IN			
Federally Qualified Health Center	6,302,410	628,060	6,930,470
Neighborhood Housing and Conservation	1,005,924	(392,924)	613,000
Planning, Environmental and Conservation Services	1,906,907	2,606,201	4,513,108
Public Improvement District	--	100,000	100,000
OPERATING TRANSFERS OUT			
Disproportionate Share	1,500,000	628,060	2,128,060
Energy Conservation Rebates and Incentives	--	3,964,000	3,964,000
Neighborhood Housing and Conservation	392,924	(392,924)	--
Planning, Environmental and Conservation Services	--	4,333,547	4,333,547

During fiscal year 1998, the Debt Service Fund had one budget amendment. The amendment increased other revenue and principal retirement by $545,764.

4 -- DEFICITS IN FUND BALANCE AND RETAINED EARNINGS

At September 30, 1998, the funds below reported deficits in fund balance or fund equity. Management intends to recover these deficits through future operating revenues or transfers. The Central City Entertainment Center deficit will be funded by a loan which has been approved and is expected to be drawn down during 1999.

	Deficit Fund Balance
Special Revenue Funds:	
Austin Transportation Study	$ 27,613
Capital Projects Funds:	
Library	90,320
Parks/Old Bakery	16,062
Police Facilities	13,785
Build Austin	335,709
Central City Entertainment Center	2,916,551
Public Works	9,408
Tanglewood Park	64,197

	Deficit Retained Earnings
Enterprise Funds:	
Parks and Recreation	$ 353,300
Internal Service Funds:	
Employee Benefits Fund	4,963,709
Liability Reserve Fund	543,903
Radio Communication Fund	139,653
Capital Projects Management Fund	433,882

5 -- POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund type at September 30, 1998:

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	$ 44,561,333	--
Special Revenue Funds	38,841,615	--
Capital Projects Funds	114,814,363	--
Enterprise Funds:		--
Electric	23,600,623	87,424,170
Water and Wastewater	31,884,536	77,679,765
Hospital	14,841,879	7,500,000
Solid Waste Services	6,042,915	12,996,502
Airport	272,270	49,042,859
Convention Center	6,610,477	--
Other	9,024,317	20,521,618
Internal Service Funds	42,494,089	340,394
Fiduciary Funds	7,381,704	--
Subtotal pooled investments and cash	340,370,121	255,505,308
Total pooled investments and cash	$ 595,875,429	

6 -- INVESTMENTS AND DEPOSITS

INVESTMENTS

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

(1) obligations of the U.S. Treasury or its agencies and instrumentalities;

(2) direct obligations of the State of Texas;

(3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;

(4) obligations of states, agencies, counties, or cities rated A or better by a national investment rating firm;

(5) certificates of deposit that are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or its successor, or secured by obligations described in (1) through (4) above, and having a market value of at least the principal amount of the certificates;

(6) fully collateralized direct and reverse repurchase agreements. State statutes require that securities underlying repurchase agreements must have a market value of at least 100% of the repurchase agreement's cost. Money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized securities, but the term of the authorized security acquired must mature not later than the expiration date stated in the reverse security repurchase agreement;

(7) bankers acceptances accepted by a domestic bank maturing in 270 days or less from the date of its issuance and is rated at least A-1, P-1 by a national investment rating firm;

(8) commercial paper with a stated maturity of 270 days or less from the date of its issuance and is either (a) rated not less than A-1, P-1 by at least two national investment rating firms, or (b) is rated at least A-1, P-1 by one national investment rating firm and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;

(9) SEC-regulated, no load money market mutual funds with a dollar weighted average portfolio maturity of 90 days or less, whose assets consist exclusively of securities described in (1) through (8) above and whose investment objectives include seeking to maintain a stable net asset value of $1 per share;

(10) local government investment pools, such as the Texas Local Government Investment Pool, organized in accordance with Chapter 791, Texas Government Code (The Interlocal Cooperation Act), whose assets consist of the obligations described in (1) through (8) above. A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service; and

6 -- INVESTMENTS AND DEPOSITS, continued

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

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of October 1, 1997. This statement requires that governmental entities should report investments at fair value on the balance sheet, and that all investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement. The change in investment value is reported on the balance sheet in either pooled investments and cash for investment pool participants, or in investments, for those funds which hold their own investments; the revenue is reported on the income statement as unrealized gain on investments. The unrealized gain associated with prior years was not material, and therefore, beginning of the year fund balances were not restated.

The City participates in the Texas Local Government Investment Pool (TexPool), which is an external investment pool. The State Comptroller of Public Accounts maintains oversight responsibility for TexPool. This responsibility includes the ability to influence operations, designation of management, and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB Statement No. 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the City's position in TexPool is the same as the value of TexPool shares.

State statutes permit the City to enter into certain reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the term to maturity of the investments is the same as the term of the reverse repurchase agreement. It is the City's policy to require a margin call at 1% or $100,000, whichever is less, above the value of the underlying investments sold. The average amount of investments outstanding during the year was $353 million. The maximum amount outstanding at any time was $416 million. At year end, the City did not have any reverse repurchase agreements.

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

	Category			Fair
	1	2	3	Value
Investments				
Obligations of the U.S. government and its agencies	$ 876,746,261	--	--	876,746,261
Commercial paper	39,916,325	--	--	39,916,325
	916,662,586	--	--	916,662,586
Investments held by trustee				
Obligations of the U.S. government and its agencies	47,008,650	--	--	47,008,650
	963,671,236	--	--	963,671,236
Investments not categorized				
Money market mutual funds				26,865
Texas Local Government Investment Pool (TexPool)				285,111,774
Total investments				$ 1,248,809,875

6 -- INVESTMENTS AND DEPOSITS, continued

Investments owned by the various funds of the City at September 30, 1998, are as follows:

Description	Yields			Fair Value	Unrealized Gain(Loss)
NON-POOLED INVESTMENTS					
Obligations of the U.S. government and its agencies	4.91% -	14.30%	$	415,382,928	8,677,908
Texas Local Government Investment Pool	5.64%			226,659,117	--
Commercial paper	5.53%			9,952,381	(39,938)
Total non-pooled investments				651,994,426	8,637,970
POOLED INVESTMENTS					
Money market mutual funds	5.28%			26,865	--
Obligations of the U.S. government and its agencies	4.67% -	5.77%		508,371,983	3,499,398
Commercial paper	5.39%			29,963,944	(1,544)
Texas Local Government Investment Pool	5.64%			58,452,657	--
Total pooled investments				596,815,449	3,497,854
TOTAL ALL INVESTMENTS			$	1,248,809,875	12,135,824

DEPOSITS

The September 30, 1998, carrying amount of deposits is as follows:

Cash		
Unrestricted	$	152,927
Cash held by trustee		
Unrestricted		234,786
Restricted		25,448,402
Pooled cash		5,863,930
Total deposits	$	31,700,045

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

7 -- PROPERTY TAXES

The City’s property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 1997, upon which the 1998 levy was based, was $27,493,058,735.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 1998, 98.80% of the current tax levy (October 1, 1997) was collected. The statutory lien date is January 1.

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

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

7 -- PROPERTY TAXES, continued

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

Through a contractual arrangement, Travis County bills and collects property taxes for the City, as well as for several other governmental entities. The City is permitted by Article II, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the City Charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at $1.00 per $100 assessed valuation. A practical limitation on taxes levied for debt service of $1.50 per $100 of assessed valuation is established by State Statute and City Charter limitations.

The tax rate to finance general governmental purposes, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 1998, was $.3304 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $.6696 per $100 assessed valuation, and could levy approximately $184,093,521 in additional taxes from the assessed valuation of $27,493,058,735 before the legislative limit is reached.

8 -- FIXED ASSETS

Components of the City's fixed assets at September 30, 1998, are summarized as follows (in thousands of dollars):

	Electric Fund	Water & Wastewater Fund	Hospital Fund	Solid Waste Services Fund	Airport Fund	Convention Center Fund	Other Enterprise Funds	Internal Service Funds	General Fixed Assets	Total
Land and land rights	$ 33,179	67,105	759	10,462	58,412	15,245	2,694	485	166,258	354,599
Buildings and improvements	544,687	1,105,622	74,017	491	83,985	80,576	9,152	3,530	174,719	2,076,779
Machinery and equipment	1,785,831	432,268	4	15,742	13,926	3,703	8,099	19,546	73,865	2,352,984
Completed assets not classified	149,757	158,289	7	4,059	1,960	2,788	12,550	20,179	--	349,589
Total plant in service	2,513,454	1,763,284	74,787	30,754	158,283	102,312	32,495	43,740	414,842	5,133,951
Less accumulated depreciation	(895,154)	(459,304)	(27,048)	(20,193)	(79,052)	(18,384)	(6,771)	(21,404)	--	(1,527,310)
Net property, plant and equipment in service	1,618,300	1,303,980	47,739	10,561	79,231	83,928	25,724	22,336	414,842	3,606,641
Construction in progress	59,198	51,965	--	15,657	392,206	10,655	17,361	--	135,609	682,651
Nuclear fuel, net of amortization	19,911	--	--	--	--	--	--	--	--	19,911
Plant held for future use	32,654	--	--	--	--	--	--	--	--	32,654
Total property, plant and equipment	$ 1,730,063	1,355,945	47,739	26,218	471,437	94,583	43,085	22,336	550,451	4,341,857

The following table summarizes the changes in components of the General Fixed Assets Account Group for the year ended September 30,1998:

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
Balance, September 30, 1997	$ 159,561,701	128,165,710	29,862,098	65,862,108	115,790,032	499,241,649
Additions	--	--	--	--	45,962,565	45,962,565
Retirements	--	--	--	--	(239,883)	(239,883)
Completed construction	6,696,456	13,601,970	3,089,304	8,003,319	(31,391,049)	--
Transfers from other funds	--	--	--	--	5,486,943	5,486,943
Balance, September 30, 1998	$ 166,258,157	141,767,680	32,951,402	73,865,427	135,608,608	550,451,274

8 -- FIXED ASSETS, continued

The City does not capitalize public domain general fixed assets. This accounting policy affects only the General Fixed Asset Account Group. During 1998, the City did not capitalize completed infrastructure assets amounting to $17,478,836.

Construction in progress includes various capital projects that are funded primarily by general obligation and revenue bonds. The General Fixed Asset Account Group includes as construction-in-progress certain completed capital projects in service at September 30, 1998, which have not been unitized or capitalized pending classification to the proper fixed asset in-service categories. In all other funds, completed construction unclassified is included in property, plant and equipment.

The City anticipates the need for numerous additional utility-related projects over the next several years. However, the City has no formal commitments to projects other than those currently under construction. Estimated unfunded future expenditures for capital projects will be funded from operations, issuance of additional general obligation or revenue bonds, or from alternative methods of financing.

9 -- RETIREMENT PLANS

a -- Description

The City participates in funding three contributory, defined benefit retirement plans: City of Austin Employees' Retirement and Pension Fund, City of Austin Police Officers' Retirement and Pension Fund, and Fire Fighters' Relief and Retirement Fund of Austin, Texas. An independent board of trustees administers each plan. These plans are City-wide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 1997. Membership in the plans at December 31, 1997 is as follows:

	City Employees	Police Officers	Fire Fighters	Total (Memorandum Only)
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,452	215	299	2,966
Current employees	6,767	1,074	843	8,684
Total	9,219	1,289	1,142	11,650

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	(512)458-2551
Police Officers' Retirement and Pension Fund	P.O. Box 684808 Austin, Texas 78768-4808	(512)416-7672
Fire Fighters' Relief and Retirement Fund	3301 Northland Drive, Suite 215 Austin, Texas 78731	(512)454-9567

9 -- RETIREMENT PLANS, continued

b – Funding Policy

	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)	7.0%	9.0%	13.70% through September 1997 11.70 % thereafter
City's contribution (percent of earnings)	7.0% (1)	18.0%	18.05% through September 1997 20.05% thereafter

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

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. The actuary of each plan has certified that the contribution commitment by the participants and the City provide an adequate financing arrangement. Contributions for fiscal year ended September 30, 1998, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total (Memorandum Only)
City	$ 15,589	7,766	7,492	30,847
Employees	15,589	3,883	4,436	23,908
Total contributions	$ 31,178	11,649	11,928	54,755

c – Annual Pension Cost and Net Pension Obligation

The City's annual pension cost of $30,847,000 for fiscal year ended September 30, 1998, was equal to the City's required and actual contributions. Three-year trend information is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total (Memorandum Only)
City's Annual Pension Cost (APC):				
1996	$ 15,390	5,872	5,945	27,207
1997	15,287	6,850	6,270	28,407
1998	15,589	7,766	7,492	30,847
Percentage of APC contributed:				
1996	100%	100%	100%	N/A
1997	100%	100%	100%	N/A
1998	100%	100%	100%	N/A
Net Pension Obligation:				
1996	$ --	--	--	--
1997	--	--	--	--
1998	--	--	--	--

9 -- RETIREMENT PLANS, continued

Actuarial valuations of the plans are performed every two years. Actuarial updates are done in each year following the full valuation. The latest actuarial valuations were completed as of December 31, 1997. 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 Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	4.25%	4%	5.5%
Projected Annual Salary Increases	4.375% to 14.75%	6.6% average	7%
Post retirement benefit increase	6% effective January 1, 1997	None	5% effective January 1, 1999 and 5% each January thereafter through 2004
Assumed Rate of Return on Investments	8%	8%	8%
Amortization method	Level percent of projected pay, open	Level percent of projected pay, open	Level percent of projected pay, open
Remaining Amortization Period	0 years	26.3 years	8.3 years

d – Trend Information (Unaudited)

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

Valuation Date, December 31st	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Excess)	Funded Ratio	Annual Covered Payroll	Percentage of Unfunded Actuarial Accrued Liability (Excess) to Covered Payroll
City Employees						
1993	$ 579,100	541,200	(37,900)	107.0%	235,200	(16.1%)
1995	707,300	623,000	(84,300)	113.5%	221,000	(38.1%)
1997	856,423	832,140	(24,283)	102.9%	219,208	(11.1%)
Police Officers						
1993	97,093	106,127	9,034	91.5%	34,550	26.1%
1995	127,572	164,865	37,293	77.4%	36,211	103.0%
1997	168,602	222,703	54,101	75.7%	47,189	114.6%
Fire Fighters						
1993	$ 175,612	193,343	17,731	90.8%	29,018	61.1%
1995	213,403	236,994	23,591	90.0%	32,496	72.6%
1997	268,241	279,472	11,231	96.0%	35,130	32.0%

10 -- RENTAL REVENUE

Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin to operate City-owned Brackenridge Hospital. This lease agreement qualifies as an operating lease for accounting purposes. Hospital Fund 1998 revenues included minimum lease payments of $1,864,764.

The City has entered into certain lease agreements as lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. Airport Fund 1998 revenues included minimum concession guarantees of $11,045,152.

The following is a schedule by year of minimum future rentals on noncancelable operating leases up to a term of ten years as of September 30, 1998.

Fiscal Year Ended September 30	Hospital Fund	Airport Fund
1999	$ 1,864,764	10,312,781
2000	1,864,764	6,329,589
2001	1,864,764	6,329,589
2002	1,864,764	6,329,589
2003	1,864,764	6,329,589
Thereafter	41,024,808	26,142,588
Totals	$ 50,348,628	61,773,725

11 -- GENERAL LONG-TERM DEBT

a -- General Obligation Debt -- Capital Projects Funding

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

General obligation debt is collateralized by the full faith and credit of the City and is reported as an obligation of the General Long-Term Debt Account Group (GLTDAG), except as described below. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies, and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt sold to fund fixed assets of proprietary funds is reported as an obligation of these proprietary funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the proprietary funds to meet the debt service requirements.

As described in Note 7, State Statute and the City Charter establish a practical limitation of $1.50 per $100 of assessed valuation on the debt service tax rate levied to service general obligation debt, including interest. The tax rate to finance the payment of principal and interest on general obligation long-term debt for the year ended September 30, 1998, was $.2097 per $100 assessed valuation. At September 30, 1998, allowable taxes related to debt service (assuming the rate of $1.50 per $100 assessed valuation) are approximately $412,395,881, providing potential additional taxes for debt service of $354,742,936 from the assessed valuation of $27,493,058,735.

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

11 -- GENERAL LONG-TERM DEBT, continued

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and tax notes outstanding at September 30, 1998, including those reported in certain proprietary funds:

	Date Issued	Original Issue	Amount Outstanding at September 30, 1998		Aggregate Interest Requirements at September 30, 1998		Interest Rates Of Debt Outstanding at September 30, 1998	Maturity Dates Of Serial Debt
		$	$		$		%	
Series 1985A	October, 1985	229,048,455	6,746,178	(2)	17,113,822	(1)	8.70 - 9.00	9/1/1999-2000
Series 1989	October, 1989	24,995,000	1,080,000		75,600	(1)	7.00	9/1/1999
Series 1990A&B	January, 1990	122,368,632	32,250,211	(3)	14,054,951	(1)	6.00 - 7.00	9/1/1999-2005
Series 1990C	November, 1990	25,000,000	2,035,000		204,843	(1)	6.55 - 6.65	9/1/1999-2000
Series 1991A	November, 1991	25,000,000	3,685,000		712,675	(1)	5.88 - 8.88	9/1/1999-2002
Series 1991B	November, 1991	2,900,000	295,000		7,965	(4)	5.40	11/1/1998
Assumed MUD Debt	December, 1991	1,995,000	880,000		380,250	(7)	6.02 - 6.40	8/1/1999-2006
Series 1992	May, 1992	114,856,765	79,269,888	(5)	26,456,267	(1)	5.70 - 6.25	9/1/1999-2008
Series 1992	October, 1992	52,490,000	11,000,000		2,562,750	(1)	4.25 - 7.25	9/1/1999-2003
Series 1992	October, 1992	5,405,000	1,225,000		211,975	(1)	5.25 - 5.75	9/1/1999-2003
Series 1992	October, 1992	4,195,000	1,100,000		55,625	(4)	5.00	11/1/1998-1999
Series 1993	February, 1993	71,600,000	64,755,000		26,707,968	(1)	4.75 - 5.75	9/1/1999-2009
Series 1993	October, 1993	25,000,000	22,215,000		9,230,215	(1)	4.13 - 7.00	9/1/1999-2013
Series 1993	October, 1993	6,435,000	5,720,000		2,376,421	(1)	4.13 - 7.00	9/1/1999-2013
Series 1993	October, 1993	8,820,000	970,000		17,945	(4)	3.70	11/1/1998
Series 1993A	October, 1993	70,230,000	65,390,000		18,908,755	(1)	4.00 - 5.00	9/1/1999-2010
Series 1994	October, 1994	33,260,000	12,060,000		3,822,400	(1)	5.20 - 7.00	9/1/1999-2007
Series 1994	October, 1994	3,550,000	1,675,000		558,995	(1)	5.10 - 6.50	9/1/1999-2008
Series 1994	October, 1994	5,025,000	1,655,000		76,285	(4)	4.40 - 4.60	11/1/1998-1999
Series 1995	October, 1995	30,250,000	22,240,000		13,481,285	(1)	4.80 - 7.75	9/1/1999-2013
Series 1995	October, 1995	8,660,000	6,915,000		3,360,740	(1)	4.75 - 6.00	9/1/1999-2013
Series 1995	October, 1995	8,205,000	4,375,000		281,771	(4)	4.10 - 4.25	11/1/1998-2000
Series 1996	October, 1996	30,550,000	13,925,000		8,258,725	(1)	4.40 - 6.00	9/1/1999-2011
Series 1996	October, 1996	11,755,000	9,545,000		1,394,790	(4)	4.30 - 5.10	11/1/1998-2003
Assumed MUD Debt	December, 1996	2,975,000	2,600,000		1,132,250	(7)	8.50 - 8.75	8/1/1999 - 2006
Taxable Series 1997	May, 1997	18,400,000	18,400,000		5,917,638	(1)	6.90 - 7.50	3/1/1999-2004
Series 1997	October, 1997	29,295,000	28,715,000		21,711,082	(1)	5.00 - 5.75	9/1/2000-2017
Series 1997	October, 1997	13,975,000	13,115,000		2,166,525	(4)	4.50	11/1/1998-2004
Series 1997	October, 1997	2,120,000	2,055,000		1,224,423	(1)	4.50 - 7.00	9/1/1999-2017
Series 1998	January, 1998	110,300,000	110,090,000		67,103,923	(1)	3.70 - 5.25	9/1/2003-2016
Assumed MUD Debt	December, 1997	33,680,000	32,180,000		25,327,916	(6)	4.40 - 10.50	11/15/1998-2021

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

(2) Represents capital appreciation bonds.

(3) Includes $14,158,632 of capital appreciation bonds, which have interest payable at maturity from 9/1/1997-2000.

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

(5) Includes $13,281,765 of capital appreciation bonds, which have interest payable at maturity from 9/1/1997-1999.

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

(7) Interest is paid on February 1, and August 1.

In October 1997, the City issued Public Improvement Bonds, Series 1997, in the amount of $29,295,000. Of the proceeds from the issue, $7,029,000 will be used for street improvements, $1,236,000 will be used for drainage and flood control, $1,719,000 will be used for parks improvements, $1,000,000 will be used for fire stations, $1,740,000 will be used for health, safety and welfare renovations, $341,000 will be used for erosion and flood control, $2,665,000 will be used for street reconstruction and traffic signals, $800,000 will be used for parks and recreation facilities, $1,875,000 will be used for libraries, and $10,890,000 will be used by various departments for communications equipment.

11 -- GENERAL LONG-TERM DEBT, continued

These bonds will be amortized serially on September 1 of each year from 1998 to 2017. Certain of these bonds are callable beginning September 1, 2007. Interest is payable on March 1 and September 1 of each year, commencing March 1, 1998. Total interest requirements for these bonds, at rates ranging from 5.0% to 5.75%, are $23,238,171.

In October 1997, the City issued Public Property Finance Contractual Obligations, Series 1997, in the amount of $13,975,000. Of the proceeds from the issue, $2,000,000 will be used by Information Systems Office for communication equipment, $270,000 will be used by Law Department for computer upgrade, $2,045,000 will be used by the Solid Waste Services Department for carts and vehicles, $805,000 will be used by the Transportation Department for capital equipment, $755,000 will be used by the Water and Wastewater Department for capital equipment, $6,800,000 will be used by various departments for radio trunking, and $1,300,000 will be used for the Year 2000. These contractual obligations will be amortized serially May 1 and November 1 of each year from 1998 to 2004. The contractual obligations are not subject to optional redemption prior to their maturity. Interest is payable on May 1 and November 1 of each year, commencing May 1, 1998. Total interest requirements for these contractual obligations at rates, of 4.5%, aggregate $2,585,775.

In October 1997, the City issued Certificates of Obligation, Series 1997, in the amount of $2,120,000. Of the proceeds from the issue, $1,960,000 will be used by the Police Department for a police substation, and $160,000 will be used for the purchase of real property located at the southeast corner of Barton Springs and South First Street (Once Texas Center). These certificates of obligation will be amortized serially on September 1 of each year from 1998 to 2017. Certain of these obligations are callable beginning September 1, 2007. Interest is payable on March 1 and September 1 of each year, commencing March 1, 1998. Total interest requirements for these bonds, at rates ranging from 4.5% to 7.0%, aggregate $1,339,043.

In January 1998, the City issued $110,300,000 in Public Improvement Refunding Bonds, Series 1998, with a weighted average interest rate of 5.01% to advance refund the following (together hereinafter referred to as the “refunded bonds”):

$ 1,145,000	of outstanding Public Improvement Bonds, Series 1989, with a weighted average interest rate of 7.10%.
$ 1,060,000	of outstanding Public Improvement Bonds, Series 1990C, with a weighted average interest rate of 6.75%.
$ 17,460,000	of outstanding Public Improvement Bonds, Series 1991A, with a weighted average interest rate of 5.95%.
$ 37,490,000	of outstanding Public Improvement Bonds, Series 1992, with a weighted average interest rate of 6.05%.
$ 3,275,000	of outstanding Certificates of Obligation, Series 1992, with a weighted average interest rate of 6.12%.
$ 21,000,000	of outstanding Public Improvement Bonds, Series 1994, with a weighted average interest rate of 5.89%.
$ 1,650,000	of outstanding Certificates of Obligation, Series 1994, with a weighted average interest rate of 5.94%.
$ 6,560,000	of outstanding Public Improvements Bonds, Series 1995, with a weighted average interest rate of 5.50%.
$ 1,465,000	of outstanding Certificates of Obligation, Series 1995, with a weighted average interest rate of 5.50%.
$ 16,000,000	of outstanding Public Improvement Bonds, Series 1996, with a weighted average interest rate of 5.75%.

The net proceeds of $117,020,777 (after issuer contribution of $3,178,595 and after payment of $221,390 in underwriting fees, insurance, and other issuance costs) 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 payments on the refunded bonds. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the general long-term debt account group.

The City advance refunded the refunded bonds to reduce its total debt service payments in the current period and in future years by approximately $6.2 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $5.4 million.

In December 1997, the City assumed debt related to the Municipal Utility Districts (MUDs) that were annexed, in the amount of $33,680,000. $8,909,336 of the assumed debt, which was issued to purchase infrastructure assets, is recorded in the General Long-Term Debt Account Group. The remaining assumed debt of $24,770,664, which was issued to purchase water and wastewater facilities, is recorded in the Water and Wastewater Fund. Interest is payable on March 1, May 15, September 1, and November 15 of each year, commencing May 15, 1998. Total interest requirements for this debt at rates ranging from 4.4% to 10.5%, aggregate $7,130,292.

11 -- GENERAL LONG-TERM DEBT, continued

The following is a summary of general obligation bonds, certificates of obligation, contractual obligation and tax note transactions of the City (including those of certain enterprise funds) for the year ended September 30, 1998 (in thousands of dollars):

	General Obligation Bonds and Other Tax Supported Debt	
	General Long-Term Debt Account Group	Proprietary Funds
Balance payable--September 30, 1997	$ 482,606	39,488
Refunding activity:		
Refunding debt issued	103,706	6,594
Outstanding debt defeased by refunding	(100,689)	(6,416)
Balance payable subsequent to refunding	485,623	39,666
Debt issued:		
Drainage and flood control improvements	1,236	--
Parks and recreation improvements	1,719	--
Street improvements	7,029	--
Police Department construction	1,960	--
Fire Department construction	1,000	--
One Texas Center purchase	160	--
Erosion and flood control	341	--
Transportation Department for equipment	--	805
Health Department safety and welfare renovations	1,740	--
Street reconstruction and traffic signals	2,665	--
Parks and recreation facilities	800	--
Library improvements	1,875	--
Law Department computer upgrade	--	270
Year 2000	1,300	--
Radio trunking for various departments	2,620	4,180
Solid Waste Department for equipment	--	2,045
Information Systems Office equipment	--	2,000
Communication equipment for various departments	10,890	--
Water and Wastewater Department equipment	--	755
Debt issued during the year	35,335	10,055
Debt retired during the year	(22,570)	(6,008)
Assumed MUD debt due to annexation	8,909	--
Balance payable--September 30, 1998	$ 507,297	43,713

General obligation bonds authorized and unissued amount to $65,355,000 at September 30, 1998. Bond ratings at September 30, 1998, were Aa2 (Moody’s Investor Service, Inc.) and AA (Standard & Poor’s and Fitch).

b -- Other Long-Term Debt

In addition to general obligation bonds, certificates of obligation, contractual obligations, and tax notes, the General Long-Term Debt Account Group includes all liabilities of the City (other than those reported in the proprietary funds) which are not due in the current period. Compensated absences liability was $33,079,299 in 1997 and increased $9,578,886 to a balance of $42,658,185 in 1998.

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

a -- Combined Utility Systems Debt -- General

The City's Electric Fund and Water and Wastewater Fund comprise the "Combined Utility Systems," which issue Combined Utility Systems revenue bonds to fund Electric Fund and Water and Wastewater Fund capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of the Electric Fund and Water and Wastewater Fund. The following table summarizes Combined Utility Systems revenue bonds and other long-term financing transactions for the year ended September 30, 1998 (in thousands of dollars):

Description (Net of discount and inclusive of premium)	Subordinate Lien Bonds	Prior Lien Bonds	Total
Balance payable, October 1, 1997	$ 174,359	2,228,012	2,402,371
Debt issued	--	313,941	313,941
Debt repaid, defeased, or refunded	(39,543)	(322,815)	(362,358)
Amortization of bond discount and premium	164	1,971	2,135
Balance payable, September 30, 1998	$ 134,980	2,221,109	2,356,089

The total Combined Utility Systems revenue bond obligations at September 30, 1998, consist of $2,245,759,419 prior lien bonds and $135,200,000 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $1,814,473,617 at September 30, 1998. Revenue bonds authorized and unissued amount to $1,160,002,660 at that date. At September 30, 1998, Moody’s Investors Service rated the prior lien and subordinate lien bonds A2, while Fitch rated them A. Standard and Poor’s rated the prior lien A and the subordinate lien A-.

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

The City is required by bond indentures to pledge the net revenues of the Combined Utility Systems for debt service, and is required to maintain debt service funds and bond reserve funds for all outstanding revenue bonds. The debt service funds, with assets of $257,669,331 including accrued interest at September 30, 1998, are restricted within the utility systems and require that the net revenues of the systems, after operating and maintenance expenses are deducted, be irrevocably pledged by providing equal monthly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The bond reserve fund for revenue bond retirement, with assets of $168,677,057 of investments at fair value at September 30, 1998, is also restricted within the utility systems. The City is required to maintain a combined reserve fund for the benefit of the holders of prior lien bonds and subordinate lien bonds, which must contain cash and investments of not less than $85,000,000 and which shall be increased upon the issuance of any additional bonds to the greater of such amount or the average annual principal and interest requirements on all prior lien bonds and subordinate lien bonds. Additional amounts required to be deposited in the reserve fund must be funded from bond proceeds or accumulated in the reserve fund in equal monthly installments within 60 months from the date of delivery of the additional bonds.

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

c -- Combined Utility Systems Debt -- Revenue Bond Refunding Issues

The Combined Utility Systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

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

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. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on defeased bonds is recognized when funds from current operations are used.

In August 1998, the City issued $303,020,000 of Combined Utility Systems Revenue Refunding Bonds to refund $252,830,502 of previously issued Combined Utility Systems Revenue Bonds. The refunding of the Refunded Bonds will accomplish a restructuring of a portion of the debt attributable to the Electric, Water and Wastewater Systems in order to more closely match debt service with the service life of the assets. The refunding resulted in a decrease in cash flow requirements to service the debt of $24,368,375. An economic gain of $19,173,344 was recognized on this transaction. An accounting loss of $15,966,880 which will be deferred and amortized in accordance with Statement of Financial Accounting Standards No. 71, was recognized on the refunding. The following bonds were refunded in this transaction (in thousands of dollars):

Series	Amount
	$
1988B Refunding	252,830

In May 1998, the City defeased $930,000 of Combined Utility Systems revenue bonds, with a $994,509 cash payment. $950,634 was placed in an irrevocable escrow account and used to purchase U.S. government obligations to provide for all future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt.

Series	Amount
	$
1986 Refunding	20,000
1988B Refunding	485,000
1993 Refunding	60,000
1993A Refunding	305,000
1996A Refunding	30,000
1997 Refunding	30,000

In September 1998, the City defeased $16,910,000 of Combined Utility Systems revenue bonds, with a $20,004,945 cash payment. $19,999,695 was placed in an irrevocable escrow account and used to purchase U.S. government obligations to provide for all future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt. The following bonds were defeased in September 1998 (in thousands of dollars):

Series	Amount
	$
1982 Refunding	10,155
1992A Refunding	3,165
1993A Refunding	3,590

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

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

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 1998 (in thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 1998
		$	$
1982 Refunding	March 1982	598,000	127,135
1985	March 1985	225,000	7,120
1985A	November 1985	162,000	4,465
1986A	April 1986	325,000	9,740
1986C	November 1986	137,915	7,755
1986 Refunding	March 1986	545,145	36,730
1987	May 1987	65,000	3,815
1988AB Refunding	October 1988	369,901	33,555
1989	July 1989	65,800	4,800
1990	August 1990	6,395	4,895
1990AB Refunding	February 1990	236,009	45,656
1991A Refunding	June 1991	57,080	38,645
1992 Refunding	March 1992	265,806	248,991
1992A Refunding	May 1992	351,706	331,361
1993 Refunding	February 1993	203,166	178,996
1993A Refunding	June 1993	263,410	222,456
1994	May 1994	3,500	3,170
1994 Refunding	October 1994	142,559	142,559
1995 Refunding	June 1995	151,770	151,270
1996AB Refunding	September 1996	249,235	249,205
1997 Refunding	August 1997	227,215	225,620
1998 Refunding	August 1998	180,000	180,000
1998A Refunding	August 1998	123,020	123,020
			$ 2,380,959

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

The City is authorized pursuant to Ordinance No. 961121-A adopted by the City Council on November 21, 1996, to issue commercial paper notes, (the "notes"), in an aggregate principal amount not to exceed $350,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements and extensions to the City's Electric System and the City's Water and Wastewater System and to refinance, renew, or refund maturing notes and other obligations of the systems.

The notes will be in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

At September 30, 1998, the Electric Fund had outstanding commercial paper notes of $158,798,023 (net of discount of $570,977), and the Water and Wastewater Fund had $135,614,000 of commercial paper notes outstanding. Interest rates on the notes range from 1.75% to 4.2%, and subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

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

f -- Water and Wastewater Fund -- Refunds Payable on Construction Contracts

Refunds payable on construction contracts of approximately $2,222,064 at September 30, 1998, excluding accrued interest, represent contractual obligations of the Water and Wastewater Fund to refund a percentage of certain construction costs incurred by developers. The contracts vary as to terms and conditions. Most of the contracts provide for the City to pay interest at 3% per annum on the unpaid balance. Generally, the Water and Wastewater Fund has agreed to pay annually to the developers a sum equal to 75% of the amount of revenues realized (based on rates in existence at the contract date) from sales and service relating to the water and wastewater facilities constructed by these developers. Such payments are made in March of each year based upon the revenues for the previous calendar year; however, the total number of payments is limited, ranging primarily from 20 to 25 years, at which time the unpaid principal balance, if any, reverts to the Water and Wastewater Fund as a contribution in aid of construction.

g -- Airport -- General

The City's Airport Fund issues Airport System revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. The following table summarizes Airport System revenue bonds for the year ended September 30, 1998 (in thousands of dollars):

Description (Net of discount and loss on refunding)	Prior Lien Bonds
Balance payable, October 1, 1997	$ 382,184
Amortization of bond discount and loss on refunding	614
Balance payable, September 30, 1998	$ 382,798

The total Airport System obligations for prior lien bonds is $394,245,000 at September 30, 1998. Aggregate interest requirements for all prior lien bonds are $438,274,756 at September 30, 1998. Revenue bonds authorized and unissued amount to $735,795,000 at that date.

h -- Airport -- Revenue Bond Indenture Requirements

The City is required by bond indentures to pledge the net revenues of the Airport System for debt service, and is required to maintain a debt service fund and bond reserve fund for all outstanding revenue bonds. The debt service fund, with assets of $736,644 including accrued interest at September 30, 1998, is restricted within the Airport System and requires that the net revenues of the airport, after operating and maintenance expenses are deducted, be irrevocably pledged by providing equal monthly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The City is also required to maintain a reserve fund for the benefit of the holders of prior lien bonds, which must contain cash and investments equal to the arithmetic average of the debt service requirements scheduled to occur in the then current and future fiscal years for all prior lien bonds then outstanding. However, the bond ordinance also allows for the use of a debt service reserve fund surety bond in lieu of the cash deposit. In January 1998, the assets of the bond reserve fund, a restricted fund, were transferred to a new airport construction fund, and a surety bond was purchased. The assets transferred included $30,341,433 of investments. The total benefit available from the surety bond in the event a draw is necessary is $30,429,177. The City is in compliance with all significant limitations and restrictions contained in the revenue bond indentures.

i – Airport Debt -- Revenue Bond Refunding Issues

The Airport System previously refunded the Series 1989 revenue bonds through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the net revenues of the Airport.

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

j -- Airport Debt -- Bonds Issued and Outstanding

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 1998 (in thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 1998
		$	$
1989	September 1989	30,000	1,000
1995A	August 1995	362,205	362,205
1995B Refunding	August 1995	31,040	31,040
			$ 394,245

k – Airport Debt -- Variable Rate Revenue Notes

The City is authorized to issue Airport System variable rate revenue notes, pursuant to Ordinance No. 950817B, as amended and restated by Ordinance 980205A adopted by the City Council on February 5, 1998. The City issued $28,000,000 in notes on February 24, 1998. Proceeds from the notes are used for issuance costs for the notes, capital project costs for establishing, improving, enlarging, extending and repairing the Airport System or any project to become part of the Airport System, and capitalized interest on the Series A Notes through the construction period. The notes are in denominations of $100,000 or more and mature on November 15, 2017. The Series A notes are secured by a lien on net revenues of the Airport System that is junior and subordinate to the lien on net revenues securing the prior lien bonds and by a direct-pay letter of credit issued by Morgan Guaranty Trust Company of New York.

At September 30, 1998, the Airport System had outstanding variable rate revenue notes of $28,000,000. The debt service fund required by the bond ordinance held assets of $444,279 including accrued interest at September 30, 1998 and was restricted within the Airport System. During fiscal year 1998, interest rates on the notes ranged from 2.9% to 6.0%, adjusted weekly, and subsequent rate changes cannot exceed the maximum rate of 15%. Principal and interest on the notes are payable from the net revenues of the Airport System.

l -- Convention Center -- General

The City's Convention Center Fund issues Convention Center revenue bonds and Hotel Occupancy Tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from the gross revenues of the Convention Center Fund and the pledged hotel occupancy tax revenues. The following table summarizes Convention Center System revenue bonds for the year ended September 30, 1998 (in thousands of dollars):

Description (Net of discount and loss on refunding)	Subordinate Lien Bonds	Prior Lien Bonds	Total
Balance payable, October 1, 1997	$ 5,611	65,883	71,494
Principal payment, November 15, 1997	--	(1,885)	(1,885)
Amortization of bond discount and loss on refunding	71	621	692
Balance payable, September 30, 1998	$ 5,682	64,619	70,301

The total Convention Center System obligations at September 30, 1998, consist of $74,070,000 prior lien bonds and $6,170,000 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $50,320,738 at September 30, 1998. Revenue bonds authorized and unissued amount to $135,760,000 at that date.

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

m -- Convention Center -- Revenue Refunding Bond Issues and Indenture Requirements

The City is required by bond indentures to pledge the gross revenues of the Convention Center and the pledged hotel occupancy tax revenues for debt service, and is required to maintain a debt service fund and bond reserve fund for all outstanding revenue bonds. The Series 1993A debt service fund, with assets of $2,381,895 including accrued interest at September 30, 1998, is restricted within the Convention Center and requires that the pledged hotel occupancy revenues of the Convention Center be irrevocably pledged by providing quarterly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The Series 1993B debt service fund, with assets of $92,550 including accrued interest at September 30, 1998, is restricted within the Convention Center and requires that the gross revenues of the Convention Center and the excess pledged hotel occupancy revenues of the Convention Center be irrevocably pledged by providing quarterly installments that will accumulate to the semiannual principal and interest requirements as they become due.

The Series 1993A bond reserve fund for revenue bond retirement, with assets of $5,972,344 at September 30, 1998, is also restricted within the Convention Center. The City is required to maintain a reserve fund for the benefit of the holders of prior lien bonds, which must contain cash and investments equal to the lesser of 10% of the principal amount or the maximum annual debt service requirements scheduled to occur in the then current and each future fiscal year for all bonds then outstanding. The Series 1993B bond reserve fund for revenue bond retirement, with assets of $986,454 at September 30, 1998, is also restricted within the Convention Center. The City is required to maintain a reserve fund for the benefit of the holders of subordinate lien bonds, which must contain cash and investments equal to the arithmetic average of the debt service requirements scheduled to occur in the then current and each future fiscal year for all bonds then outstanding. The City is in compliance with all significant limitations and restrictions contained in the revenue bond indentures.

n -- Convention Center Debt -- Bonds Issued and Outstanding

The following schedule shows all original and refunding revenue bonds outstanding at September 30, 1998 (in thousands of dollars):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 1998
		$	$
1993A	December 1993	75,955	74,070
1993B	December 1993	6,170	6,170
			$ 80,240

o -- Other Debt

The Drainage Fund has revenue bonds authorized and unissued amounting to $10,000,000 at September 30, 1998.

13 -- CONDUIT DEBT

a -- Austin Housing Finance Corporation

From time to time, the City has issued housing revenue bonds through the Austin Housing Finance Corporation (AHFC) to provide financial assistance to other entities for the acquisition and construction of housing facilities for low and moderate-income Austin residents. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 1998, ten series of AHFC housing finance bonds had been issued. The aggregate principal amount payable of these bonds could not be determined; however, their original issue amounts totaled $203.8 million.

13 -- CONDUIT DEBT, continued

In fiscal year 1998, no AHFC bonds were issued. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

b -- Austin Industrial Development Corporation

From time to time, the City has issued industrial revenue bonds through the Austin Industrial Development Corporation (AIDC) to provide financial assistance to other entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 1998, 24 series of AIDC industrial revenue bonds had been issued. The aggregate principal amount payable of these bonds could not be determined; however, their original issue amounts totaled $106.4 million.

No AIDC bonds were issued in fiscal year 1998. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

c -- Austin-Bergstrom International Airport Development Corporation

To provide for the construction of certain facilities at the Austin-Bergstrom International Airport (ABIA), the City has issued industrial revenue bonds through the ABIA Development Corporation. The bonds are special limited obligations of the City, payable solely from and secured by a pledge of rentals to be received from lease agreements between the City and certain entities operating at the Airport. As of September 30, 1998, two series of industrial revenue bonds had been issued. The aggregate principal amount payable of these bonds could not be determined; however, their original issue amounts totaled $19.2 million.

No ABIA bonds were issued in fiscal year 1998. The bonds do not constitute a debt or pledge of the Airport System revenues nor of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

d -- Rental Car Facility Trust Indenture

To provide for the costs of design, acquisition, construction and equipping of rental car facilities at the Austin-Bergstrom International Airport (ABIA), the City has issued rental car special facilities revenue bonds under the trust indenture, dated as of February 1998, by and between the City and Chase Bank of Texas, National Association, Austin, Texas. The bonds are limited special obligations of the City, payable solely from and secured by a pledge of the Trust Estate, including revenues to be received from parking garage rentals, supplemental facilities fees, contract facility charges paid by concessionaires to the trustee and investment earnings from amounts held by the trustee. As of September 30, 1998, one series of rental car special facilities bonds had been issued. The principal amount payable of these bonds, also their original issue amount, totaled $21.05 million. The bonds do not constitute a debt or pledge of the Airport System revenues nor of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

14 -- DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ended September 30	General Obligation Bonds			Public Property Finance Contractual Obligations			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999	$ 19,397	39,377	58,774	8,075	1,296	9,371	975	919	1,894
2000	21,696	36,700	58,396	6,180	961	7,141	1,025	858	1,883
2001	34,792	23,898	58,690	4,555	706	5,261	1,090	798	1,888
2002	37,654	22,228	59,882	3,825	519	4,344	1,130	739	1,869
2003	36,904	20,096	57,000	4,035	341	4,376	1,210	678	1,888
Thereafter	333,522	94,952	428,474	4,385	178	4,563	12,160	3,742	15,902
	483,965	237,251	721,216	31,055	4,001	35,056	17,590	7,734	25,324

Fiscal Year Ended September 30	Tax Notes			Total		
	Principal	Interest	Total	Principal	Interest	Total
1999	700	1,266	1,966	29,147	42,858	72,005
2000	1,000	1,202	2,202	29,901	39,721	69,622
2001	1,300	1,117	2,417	41,737	26,519	68,256
2002	1,500	1,017	2,517	44,109	24,503	68,612
2003	1,900	900	2,800	44,049	22,015	66,064
Thereafter	12,000	417	12,417	362,067	99,289	461,356
	18,400	5,919	24,319	551,010	254,905	805,915
Less: Amounts reported in Enterprise Funds				(36,555)	(14,040)	(50,595)
Amounts reported in Internal Service Funds				(7,158)	(1,511)	(8,669)
Total requirements reported in other funds				(43,713)	(15,551)	(59,264)
General Long-Term Debt Account Group requirements at September 30, 1998				$ 507,297	239,354	746,651

14 -- DEBT SERVICE REQUIREMENTS, continued

The following summarizes the proprietary funds debt service requirements at September 30, 1998 (in thousands):

Fiscal Year Ended September 30	Commercial Paper Notes (1)			Revenue Notes		
	Principal	Interest	Total	Principal	Interest	Total
1999	$ 294,983	1,256	296,239	28,000	--	28,000
2000	--	--	--	--	--	--
2001	--	--	--	--	--	--
2002	--	--	--	--	--	--
2003	--	--	--	--	--	--
Thereafter	--	--	--	--	--	--
	294,983	1,256	296,239	28,000	--	28,000
Less: Unamortized bond discount	(571)	--	(571)			
Unamortized loss on bond refundings	--	--	--			
Add: Unamortized bond premium	--	--	--			
Net debt service requirements	294,412	1,256	295,668			

Fiscal Year Ended September 30	General Obligation Bonds and Other Tax Supported Debt (2)			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
1999	8,519	4,130	12,649	101,809	161,733	263,542
2000	6,621	3,702	10,323	99,865	165,344	265,209
2001	5,628	3,501	9,129	104,562	151,030	255,592
2002	4,719	3,436	8,155	114,487	156,616	271,103
2003	4,508	3,230	7,738	98,621	147,635	246,256
Thereafter	41,740	17,200	58,940	2,336,100	1,580,093	3,916,193
	71,735	35,199	106,934	2,855,444	2,362,451	5,217,895
Less: Unamortized bond discount	(45)	--	(45)	(65,754)	--	(65,754)
Unamortized loss on bond refundings	(419)	--	(419)	(9,595)	--	(9,595)
Add: Unamortized bond premium	173	--	173	29,093	--	29,093
Net debt service requirements	$ 71,444	35,199	106,643	2,809,188	2,362,451	5,171,639

(continued)

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

(2) Includes assumed tax and revenue bond principal of $27,150,560 and interest of $19,995,346, Solid Waste Services revenue certificates of obligation of $750,000 and interest of $52,500 and $120,000 of Water and Wastewater notes payable.

14 -- DEBT SERVICE REQUIREMENTS, continued

Fiscal Year Ended September 30	Water Improvement District Bonds			Municipal Utility District Contracts		
	Principal	Interest	Total	Principal	Interest	Total
1999	$ 332	71	403	5,695	6,529	12,224
2000	307	54	361	6,245	6,182	12,427
2001	366	37	403	6,930	5,791	12,721
2002	353	19	372	6,730	5,352	12,082
2003	25	3	28	7,540	4,919	12,459
Thereafter	25	1	26	74,315	18,310	92,625
	1,408	185	1,593	107,455	47,083	154,538
Less: Unamortized bond discount				(400)	--	(400)
Unamortized loss on bond refundings				--	--	--
Add: Unamortized bond premium				--	--	--
Net debt service requirements				107,055	47,083	154,138

Fiscal Year Ended September 30	Total Debt Service Requirements		
	Principal	Interest	Total
1999	439,338	173,719	613,057
2000	113,038	175,282	288,320
2001	117,486	160,359	277,845
2002	126,289	165,423	291,712
2003	110,694	155,787	266,481
Thereafter	2,452,180	1,615,604	4,067,784
	3,359,025	2,446,174	5,805,199
Less: Unamortized bond discount	(66,770)	--	(66,770)
Unamortized loss on bond refundings	(10,014)	--	(10,014)
Add: Unamortized bond premium	29,266	--	29,266
Net debt service requirements	$ 3,311,507	2,446,174	5,757,681

14 -- DEBT SERVICE REQUIREMENTS, continued

The following summarizes the proprietary funds debt service requirements at September 30, 1998 by fund (in thousands):

Fiscal Year Ended September 30	Electric (1) Principal	Electric (1) Interest	Electric (1) Total	Water and Wastewater (2) Principal	Water and Wastewater (2) Interest	Water and Wastewater (2) Total
1999	$ 242,941	94,146	337,087	161,483	49,678	211,161
2000	79,492	96,586	176,078	27,370	49,161	76,531
2001	84,432	85,077	169,509	27,079	46,244	73,323
2002	84,871	89,328	174,199	28,263	47,533	75,796
2003	67,288	83,478	150,766	29,632	44,455	74,087
Thereafter	1,225,046	660,532	1,885,578	763,238	539,105	1,302,343
	1,784,070	1,109,147	2,893,217	1,037,065	776,176	1,813,241
Less: Unamortized bond discount	(32,765)	--	(32,765)	(22,167)	--	(22,167)
Unamortized loss on bond refundings	--	--	--	--	--	--
Add: Unamortized bond premium	21,988	--	21,988	7,041	--	7,041
	1,773,293	1,109,147	2,882,440	1,021,939	776,176	1,798,115

Fiscal Year Ended September 30	Solid Waste Services Principal	Solid Waste Services Interest	Solid Waste Services Total	Airport Principal	Airport Interest	Airport Total
1999	3,009	977	3,986	28,086	24,160	52,246
2000	1,667	820	2,487	74	24,146	24,220
2001	1,290	690	1,980	196	23,997	24,193
2002	1,036	629	1,665	7,742	23,795	31,537
2003	1,046	574	1,620	8,095	23,360	31,455
Thereafter	10,374	3,305	13,679	379,131	378,868	757,999
	18,422	6,995	25,417	423,324	498,326	921,650
Less: Unamortized bond discount	(24)	--	(24)	(9,614)	--	(9,614)
Unamortized loss on bond refundings	(265)	--	(265)	(1,845)	--	(1,845)
Add: Unamortized bond premium	148	--	148	--	--	--
	$ 18,281	6,995	25,276	411,865	498,326	910,191

(continued)

(1) Included in the debt service requirements of Electric is $159,369,000 principal and $575,906 interest for commercial paper notes.

(2) Included in the debt service requirements of Water and Wastewater is $135,614,000 principal and $679,917 interest for commercial paper notes.

14 -- DEBT SERVICE REQUIREMENTS, continued

Fiscal Year Ended September 30	Convention Center Principal	Convention Center Interest	Convention Center Total	Drainage Principal	Drainage Interest	Drainage Total
1999	$ 1,974	3,993	5,967	86	86	172
2000	2,590	3,895	6,485	95	79	174
2001	2,946	3,767	6,713	105	71	176
2002	3,087	3,622	6,709	114	62	176
2003	3,248	3,467	6,715	123	53	176
Thereafter	66,678	31,730	98,408	529	121	650
	80,523	50,474	130,997	1,052	472	1,524
Less: Unamortized bond discount	(2,189)	--	(2,189)	--	--	--
Unamortized loss on bond refundings	(7,750)	--	(7,750)	--	--	--
Add: Unamortized bond premium	--	--	--	--	--	--
	70,584	50,474	121,058	1,052	472	1,524

Fiscal Year Ended September 30	Transportation Principal	Transportation Interest	Transportation Total	Golf Principal	Golf Interest	Golf Total
1999	102	33	135	309	327	636
2000	106	28	134	322	307	629
2001	111	23	134	344	289	633
2002	117	18	135	352	273	625
2003	123	13	136	387	256	643
Thereafter	196	9	205	4,943	1,499	6,442
	755	124	879	6,657	2,951	9,608
Less: Unamortized bond discount	--	--	--	(8)	--	(8)
Unamortized loss on bond refundings	--	--	--	(76)	--	(76)
Add: Unamortized bond premium	--	--	--	64	--	64
	$ 755	124	879	6,637	2,951	9,588

(continued)

14 -- DEBT SERVICE REQUIREMENTS, continued

Fiscal Year Ended September 30		Fleet Maintenance Principal	Fleet Maintenance Interest	Fleet Maintenance Total	Support Services Principal	Support Services Interest	Support Services Total
1999		$ 287	52	339	1,062	268	1,330
2000		220	38	258	1,101	221	1,322
2001		83	30	113	899	172	1,071
2002		24	27	51	683	136	819
2003		26	26	52	727	104	831
Thereafter		466	153	619	1,579	282	1,861
		1,106	326	1,432	6,051	1,183	7,234
Less:	Unamortized bond discount	--	--	--	(3)	--	(3)
	Unamortized loss on bond refundings	(17)	--	(17)	(61)	--	(61)
Add:	Unamortized bond premium	4	--	4	21	--	21
		1,093	326	1,419	6,008	1,183	7,191

Fiscal Year Ended September 30		Total Principal	Total Interest	Total Total
1999		439,339	173,720	613,059
2000		113,037	175,281	288,318
2001		117,485	160,360	277,845
2002		126,289	165,423	291,712
2003		110,695	155,786	266,481
Thereafter		2,452,180	1,615,604	4,067,784
		3,359,025	2,446,174	5,805,199
Less:	Unamortized bond discount	(66,770)	--	(66,770)
	Unamortized loss on bond refundings	(10,014)	--	(10,014)
Add:	Unamortized bond premium	29,266	--	29,266
		$ 3,311,507	2,446,174	5,757,681

15 -- INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 1998, are as follows:

	Current		Long-Term	
	Due From Other Funds	Due To Other Funds	Advance To Other Funds	Advance From Other Funds
RECEIVABLES:				
Special Revenue Funds				
Receivable from Special Revenue Funds	$ 14,855,721	--	--	--
Debt Service fund				
Receivable from General Fund	112,827	--	--	--
Receivable from Water and Wastewater Fund	444,049	--	--	--
Capital Projects Funds				
Receivable from Capital Projects Funds	4,328,300	--	--	--
Receivable from Trust and Agency Funds	38,315	--	--	--
Enterprise Funds				
Electric Fund (Restricted):				
Receivable from Solid Waste Services Fund	12,385	--	24,770	--
Receivable from Airport Fund	1,455	--	2,910	--
Receivable from Drainage Fund	3,045	--	6,090	--
Internal Service Funds:				
Receivable from Fleet Maintenance Fund	13,875	--	27,750	--
Receivable from Support Services Fund	124,932	--	249,866	--
Water and Wastewater Fund (Restricted):				
Receivable from Solid Waste Services Fund	10,225	--	20,450	--
Receivable from Airport Fund	1,201	--	2,403	--
Receivable from Drainage Fund	2,514	--	5,028	--
Internal Service Funds:				
Receivable from Fleet Maintenance Fund	11,455	--	22,911	--
Receivable from Support Services Fund	203,337	--	675,393	--
Airport Fund:				
Internal Service Funds:				
Receivable from Support Services Fund	135,121	--	19,101	--
Convention Center Fund:				
Receivable from restricted account	1,186,132	--	--	--
Drainage Fund:				
Receivable from Debt Service Fund	452,832	--	--	--
Internal Service Funds				
Fleet Maintenance Fund:				
Receivable from Solid Waste Services Fund	98,940	--	--	--
Internal Service Funds:				
Receivable from Radio Communication Fund	$ 240,122	--	--	--

(continued)

15 -- INTERFUND RECEIVABLES AND PAYABLES, continued

	Current		Long-Term	
	Due From Other Funds	Due To Other Funds	Advance To Other Funds	Advance From Other Funds
PAYABLES:				
General Fund				
Payable to Debt Service Funds	--	112,827	--	--
Special Revenue Funds				
Payable to Special Revenue Funds	--	14,855,721	--	--
Debt Service Fund				
Payable to Drainage Fund	--	452,832	--	--
Capital Projects Funds				
Payable to Capital Projects Funds	--	4,328,300	--	--
Enterprise Funds				
Water and Wastewater Fund:				
Payable to Debt Service Fund	--	444,049	--	--
Solid Waste Services Fund:				
Payable to Electric Fund	--	12,385	--	24,770
Payable to Water and Wastewater Fund	--	10,225	--	20,450
Internal Service Funds:				
Payable to Fleet Maintenance Fund	--	98,940	--	--
Airport Fund:				
Payable to Electric Fund	--	1,455	--	2,910
Payable to Water and Wastewater Fund	--	1,201	--	2,403
Convention Center Fund:				
Payable to operating account	--	1,186,132	--	--
Drainage Fund:				
Payable to Electric Fund	--	3,045	--	6,090
Payable to Water and Wastewater Fund	--	2,514	--	5,028
Internal Service Funds				
Fleet Maintenance Fund:				
Payable to Electric Fund	--	13,875	--	27,750
Payable to Water and Wastewater Fund	--	11,455	--	22,911
Support Services Fund:				
Payable to Electric Fund	--	124,932	--	249,866
Payable to Water and Wastewater Fund	--	203,337	--	675,393
Payable to Airport Fund	--	135,121	--	19,101
Information Systems Fund:				
Payable to Electric Fund	--	--	--	--
Payable to Water and Wastewater Fund	--	--	--	--
Radio Communication Fund:				
Internal Service Funds:				
Payable to Fleet Maintenance Fund	--	240,122	--	--
Trust and Agency Funds				
Agency Funds:				
Payable to Capital Projects Fund	--	38,315	--	--
	$ 22,276,783	22,276,783	1,056,672	1,056,672

16 -- INTERFUND TRANSFERS

Operating transfers between funds during the year were as follows:

Operating Transfers In	Operating Transfers Out		Amount
General Fund	Enterprise Funds:	Electric Fund	$ 57,409,800
		Water and Wastewater Fund	15,311,464
			72,721,264
Special Revenue Funds - Other:			
Balcones Canyonlands Conservation Fund	General Fund		88,000
	Enterprise Funds:	Drainage Fund	305,702
Environmental Remediation Fund	Enterprise Funds:	Water and Wastewater Fund	75,000
		Solid Waste Fund	75,000
		Drainage Fund	75,000
	Internal Service Funds:	Fleet Maintenance Fund	630,000
Fee Waiver Fund	General Fund		7,000
Federally Qualified Health Center Fund	Special Revenue Funds:	Disproportionate Share Fund	628,060
	Enterprise Funds:	Hospital Operating Fund	6,302,410
Neighborhood Housing and Conservation Fund	General Fund		613,000
PARD-Cultural Projects Fund	Special Revenue Funds:	Hotel-Motel Occupancy Tax Fund	2,686,019
Planning, Environmental & Conservation Fund	General Fund		1,980,707
	Special Revenue Funds:	Energy Conservation Rebates & Incentives Fund	2,410,000
	Enterprise Funds:	Performance Contracting Fund	122,401
Public Improvement District	Enterprise Funds:	Water and Wastewater Fund	50,000
		Convention Center Fund	50,000
Strategic Planning Investment Fund	General Fund		950,000
Telecommunity Partnership Fund	General Fund		200,000
Tourism and Promotion Fund	General Fund		125,382
	Special Revenue Funds:	Hotel-Motel Occupancy Tax Fund	4,028,006
Voluntary Utility Assistance Fund	General Fund		160,000
			21,561,687
Debt Service Fund	Special Revenue Funds:	Balcones Canyonlands Conservation Plan Fund	26,064
		Federally Qualified Health Center Fund	103,288
		One Texas Center Fund	1,291,975
	Capital Project Funds:	Interest Income Fund	840,000
			$ 2,261,327

16 -- INTERFUND TRANSFERS, continued

Operating Transfers In	Operating Transfers Out		Amount
Capital Projects Funds	General Fund		$ 4,884,273
	Special Revenue Funds:	Disproportionate Share Fund	1,500,000
		Energy Conservation Rebates & Incentives Fund	154,000
		Environmental Remediation Fund	630,000
		Police Federal Seized Money Fund	103,190
		Subdivision Participation Fund	199,988
	Capital Project Funds:	Funds Authorized Prior to 1981	404,090
		Funds Authorized 1981	359,299
		Funds Authorized 1982	766,157
		Funds Authorized 1984	1,447,245
		Funds Authorized 1985	549,328
		Other Funds	1,893,590
		Interest Income Fund	7,003,000
	Enterprise Funds:	Drainage Fund	200,000
			20,094,160
Enterprise Funds:			
Solid Waste Fund	General Fund		235,000
Convention Center Fund	Special Revenue Funds:	Hotel-Motel Occupancy Tax Fund	12,106,573
Drainage Fund	General Fund		193,504
Construction Performance Contracting Fund	Special Revenue Funds:	Energy Conservation Rebates & Incentives Fund	1,400,000
		Planning, Environmental & Conservation Services Fund	4,333,547
			18,268,624
Trust and Agency Funds - Expendable Trusts:			
First Step-A Community Fund	General Fund		410,000
			410,000
Total Operating Transfers			$ 135,317,062

17 -- SEGMENT INFORMATION

a -- Enterprise Fund Activities

The City maintains eleven enterprise funds, which provide electric, water and wastewater, health care, solid waste services, airport, convention, drainage, transportation services, performance contracting, golf, and parks and recreation activities. Segment information for the year ended September 30, 1998, is as follows (in thousands of dollars):

	Electric Fund	Water & Wastewater Fund	Hospital Fund	Solid Waste Services Fund	Airport Fund	Convention Center Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	$ 668,371	201,792	11,171	33,088	42,995	8,003	40,009	1,005,429
Depreciation and amortization expense	77,803	44,205	2,177	2,882	16,711	2,651	1,930	148,359
Operating income (loss)	258,120	76,992	8,096	8,826	3,508	(4,883)	704	351,363
Operating transfers in	--	--	--	235	--	12,107	5,927	18,269
Operating transfers out	(57,410)	(15,436)	(6,302)	(75)	--	(50)	(704)	(79,977)
Net income (loss)	108,662	29,906	3,104	8,819	4,829	3,681	6,960	165,961
Current assets	164,272	49,890	15,367	8,539	1,944	7,878	12,181	260,071
Current liabilities	37,248	18,446	1,489	4,367	1,684	482	3,182	66,898
Net working capital surplus	127,024	31,444	13,878	4,172	260	7,396	8,999	193,173
Property, plant and equipment:								
Additions	76,550	130,363	--	5,607	171,084	11,814	14,008	409,426
Retirements	(12,825)	(3,618)	--	(528)	(140)	(76)	(155)	(17,342)
Transfers from (to) other funds	1,723	--	--	--	--	--	--	1,723
Net property, plant and equipment	1,730,063	1,355,945	47,739	26,218	470,652	94,583	43,082	3,768,282
Total assets	2,771,298	1,777,823	70,606	47,937	696,004	122,870	76,372	5,562,910
Bond, restricted, and other long-term liabilities	1,975,153	1,100,891	161	22,894	450,582	83,371	9,456	3,642,508
Current capital contributions	2,256	33,483	--	29	14,669	400	10,000	60,837
Total equity	758,897	658,487	68,957	20,675	243,739	39,017	63,733	1,853,505

17 -- SEGMENT INFORMATION, continued

b -- Proprietary Fund Contributed Capital

The following table summarizes activity in contributed capital for the year ended September 30, 1998:

	Balance September 30, 1997	Contribution Type: (To) From Municipality	From Donors	From Other Governments	In Aid of Construction	Depreciation Taken	Balance September 30, 1998
Enterprise Funds:							
Electric Fund	$ 65,024,270	607,173	--	--	1,648,852	(3,123,942)	64,156,353
Water and Wastewater Fund	287,253,609	--	--	--	33,482,731	(11,469,201)	309,267,139
Hospital Fund	12,615,015	--	--	--	--	--	12,615,015
Solid Waste Services Fund	1,338,580	29,099	--	--	--	--	1,367,679
Airport Fund	109,050,364	1,843	--	9,927,885	4,739,229	(6,923,598)	116,795,723
Convention Center Fund	21,400,245	--	400,000	--	--	(65,494)	21,734,751
Drainage Fund	13,183,922	9,011,050	--	--	1,008,175	--	23,203,147
Transportation Fund	331,206	--	--	--	--	--	331,206
Golf Fund	886,879	(19,100)	--	--	--	--	867,779
Parks and Recreation Fund	1,069,976	--	--	--	--	--	1,069,976
Internal Service Funds:							
Fleet Maintenance Fund	12,088,360	1,403,893	--	--	--	--	13,492,253
Support Services Fund	4,195,519	(3,117,267)	--	--	--	--	1,078,252
Utility Customer Service Fund	600,772	(600,772)	--	--	--	--	--
Employee Benefits Fund	9,244,036	--	--	--	--	--	9,244,036
Workers' Compensation Fund	2,443,283	--	--	--	--	--	2,443,283
Radio Communication Fund	56,255	--	--	--	--	--	56,255
Infrastructure Support Services Fund	343,005	--	--	--	--	--	343,005
Capital Projects Management Fund	28,300	--	--	--	--	--	28,300
Total	$ 541,153,596	7,315,919	400,000	9,927,885	40,878,987	(21,582,235)	578,094,152

18 -- JOINT OPERATIONS

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

a -- Fayette Power Project

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

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

18 -- JOINT OPERATIONS, continued

The following is a summary of financial information taken from the Project's audited financial statements, dated June 30, 1998, and 1997, the Project's fiscal year end (in thousands of dollars). These statements include Unit III, which is 100% owned by LCRA. These statements were not examined by the City's auditors.

	June 30, 1998			June 30, 1997		
	Total	COA	LCRA	Total	COA	LCRA
Assets	$ 65,208	29,996	35,212	81,196	33,996	47,200
Liabilities	11,394	4,265	7,129	9,093	3,364	5,729
Equity	53,814	25,731	28,083	72,103	30,632	41,471
Revenues	2,580	620	1,960	3,623	438	3,185
Expenses	130,950	40,381	90,569	156,391	53,467	102,924
Net expenses incurred	$ 128,370	39,761	88,609	152,768	53,029	99,739

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

b -- South Texas Project

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

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

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

The following is a summary of financial information taken from the South Texas Project's audited financial statements dated September 30, 1997 (in thousands of dollars). These statements were not examined by the City's auditors.

	HL&P	San Antonio	Central	Austin	Total
Operations	$ 81,494	74,086	66,677	42,335	264,592
Nuclear fuel	25,566	23,242	20,918	13,281	83,007
Nuclear fuel disposal fee	6,088	5,465	4,816	3,113	19,482
Nuclear fuel disposal assessment fee	597	542	488	310	1,937
Vendor credits	(4,653)	(4,230)	(3,807)	(2,417)	(15,107)
Total 1997 funding	$ 109,092	99,105	89,092	56,622	353,911

Financial reports that include financial statements and supplementary information for the STP are publicly available at the STP Nuclear Operating Company, P. O. Box 289, Wadsworth, TX 77483. Their telephone number is (512) 972-7067.

18 -- JOINT OPERATIONS, continued

c -- South Texas Project Decommissioning

The South Texas Project (STP) is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant operating license submit information to the NRC indicating the minimum amount of funds that will be required to decommission the plant while demonstrating reasonable assurance that sufficient funds are being accumulated to provide the minimum amount at the time the plant is decommissioned. This minimum amount must be adjusted annually in accordance with an adjustment factor as required by the NRC. At September 30, 1998 and 1997, the City had funded its share of the estimated decommissioning liability as follows:

	1998	1997
Estimated cost to decommission STP	$181,205,588	$172,298,906
Restricted decommissioning fund assets	49,332,878	39,110,328

The City of Austin and other STP participants have provided the required information to the NRC, and the City of Austin has established an external irrevocable trust for decommissioning and has been collecting through its rates since 1989 sufficient amounts to provide for its share of the estimated decommissioning costs. For fiscal years 1998 and 1997, the City collected $4,958,221 in each year for decommissioning expenses.

d -- Municipal Utility Districts

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serves the MUDs and surrounding areas. These additions and improvements are funded by the issuance of City contract revenue bonds, whose principal and interest are payable primarily from the net revenues of the Water and Wastewater Fund.

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

e -- Brushy Creek

The City, the Lower Colorado River Authority (LCRA), and the Brazos River Authority (BRA) are joint owners of the Brushy Creek Regional Wastewater System. This facility serves the upper Brushy Creek watershed in Williamson County. The Brazos River Authority operates the system. During fiscal year 1998, the LCRA and BRA purchased a portion of Austin's share relating to the area now included in the City of Cedar Park's extra-territorial jurisdiction.

f -- Rivercrest Water Supply Corporation

Upon annexation, in December 1997, of Davenport Ranch Municipal Utility District ("Davenport MUD"), the City assumed a cost sharing agreement with Davenport MUD, Davenport Limited, Rivercrest Water Supply Corporation and Loop 360 Water Supply Corporation. The agreement allocates the costs, based on capacity allocations, of operating a private water treatment facility servicing the Davenport MUD and the other participants' service areas. ST Environmental is under contract to operate the water treatment facility. The participants in the cost sharing agreement continue to pay their contractual share of the operations and maintenance costs of the facility, with the City of Austin now responsible for the Davenport MUD portion of these costs. The City may amend this arrangement in the future to provide for facility improvements that will allow the customers to be served by the City's system.

Former Davenport MUD customers are now billed by the City of Austin as inside City retail water customers. The other entities continue to bill the individual customers served by the facility who were not residents of the former MUD.

19 -- ANNEXED DISTRICTS

Municipal Utility Districts ("MUD") are taxing and financing authorities organized under the laws of the State of Texas to provide water, drainage and sewer services to residents not serviced by the City. The assets and liabilities of districts annexed are recorded as follows:

(1) Fixed assets, at cost, net of accumulated depreciation, constructed for water and sewer operations are recorded in the Water and Wastewater Fund, and fixed assets, at cost, net of accumulated depreciation, constructed for drainage operations are recorded in the Drainage Fund.

(2) Funds available for future construction of water and sewer facilities are recorded in the Water and Wastewater Fund with corresponding contributed capital recorded within that fund.

(3) The annexed districts' long-term debt is assumed by the City upon dissolution of the districts and is treated as tax obligation bonded debt of the City. The assumed debt, net of premium/discount, issued to acquire the water and sewer facilities and issuance costs is recorded in the Water and Wastewater Fund, and the assumed debt issued to acquire the drainage facilities is recorded in the General Long-Term Debt Account Group.

(4) Debt service requirements on the assumed districts' tax obligation debt are provided by the City's ad valorem tax levy and by revenues from the Water and Wastewater Fund.

(5) Upon completion of construction, any remaining funds are restricted to the payment of debt service of the annexed districts that provided the funds.

During fiscal year 1998, the City annexed ten utility districts which included Northwest Travis County MUD No. 1, Northwest Travis County MUD No. 2, Southland Oaks MUD, Tanglewood Forest MUD, Village at Western Oaks MUD, Davenport MUD, and Circle C MUDs No. 1, 2, 3, and 4. Contributions of net assets or liabilities were recorded to the following funds and account groups (in thousands of dollars):

	Assets	Liabilities
General Fund	$ 5,441	$ --
Capital Project Funds	810	--
Water and Wastewater Fund	30,180	24,771
Drainage Fund	6,586	--
General Long-Term Debt Account Group	--	8,909

20 -- LITIGATION

a -- Water and Wastewater Litigation

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

b -- Other Litigation

A number of claims against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and City management are of the opinion that the settlement of these claims and pending litigation will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 1998. These liabilities include amounts for lawsuits settled subsequent to year end.

21 -- COMMITMENTS AND CONTINGENCIES

a -- Certificates of Participation

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

$23,060,000 Certificates of Participation, City of Austin, Texas Electric Utility Office Project, Series 1987;

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

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

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

The following table presents information regarding these certificates:

	Electric Fund Office Project (1)	**Water and Wastewater Fund Office Project (1)**
Date issued	February 1987	August 1987
Amount issued	23,060,000	14,000,000
Interest rates	4.00% - 7.00%	5.25% - 8.00%
Interest payable on	March 15 and September 15	May 15 and November 15
Maturity dates	September 15 1988 – 2007	November 15 1989 - 2007
Present value of lease payments	13,815,000	9,625,000
Reserve fund (2)	2,000,000	1,250,000

(1) Subject to mandatory redemption upon the occurrence of certain events.
(2) Held by trustee, to be used to make final payments.

b -- Federal Financial Assistance Programs

The City participates in a number of federal financial assistance programs. Although the City grant programs have been audited in accordance with the provisions of the Single Audit Act of 1984 and Amendments of 1996 through September 30, 1998, these programs are subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

c -- Arbitrage Rebate Payable

The City's financial advisor has determined that the City may have earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations, which may have to be rebated to the Federal government. Estimated amounts payable at September 30, 1998, as arbitrage rebates are $163,100 for the enterprise funds and $993,500 for the capital projects funds which are recorded as liabilities of these funds.

21 -- COMMITMENTS AND CONTINGENCIES, continued

d -- Capital Improvement Plan

As required by the City Charter, the City has a *Five Year Capital Improvement Plan* that is an anticipated spending plan for projects in the upcoming year (a *Capital Budget*) as well as for future years. The City's 1999 Capital Budget includes new appropriations of $163,310,500 for the City's enterprise funds and $41,764,802 for general government projects and appropriation reductions of $9,795,000 for the enterprise funds and $6,242,992 for general government projects. The City has substantial contractual commitments relating to its capital improvement plan.

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

Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin ("Seton"). Under the terms of the lease, Seton will operate City-owned Brackenridge Hospital and will provide all necessary medical services for all residents of Austin regardless of their ability to pay. The City will fund these services through payments to Seton for three programs. Under the Charity Care Program, the City will reimburse Seton up to a maximum of $5.6 million annually for providing care to the medically indigent; provided, however, that Seton must first satisfy its requirement under State law to provide charity care in the amount of 4% of net revenues. Under the Medical Assistance Program, the City will pay Seton a maximum of approximately $6.0 million annually (adjusted annually for inflation for each of the next two years) for providing services to patients enrolled in the City's Medical Assistance Program. Under the Physician Services Program, the City will pay Seton approximately $5.1 million annually (adjusted annually for each of the next seven years) for providing physician services to patients in the first two programs.

f -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports in the Solid Waste Services Fund a portion of these closure and postclosure care costs as an operating expense in each period, based on landfill capacity used as of each balance sheet date. The $6,224,517 reported as accrued landfill closure and postclosure costs at September 30, 1998, represents the cumulative amount reported to date based on the use of 74.46 percent of the estimated capacity of the landfill. The Solid Waste Services Fund will recognize the remaining estimated cost of closure and postclosure care of $2,134,944 as the remaining estimated capacity is filled over the next thirteen years. The total estimated costs of $8,359,461 include costs of closure in 2010 of $2,167,536 and postclosure costs over the subsequent thirty years of $6,191,925. These amounts are based on what it would cost to perform all closure and postclosure care in 1998. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

g -- Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

Fund name	Description
Employee Benefits	Approximately 25% of City employees use one of two HMOs; approximately 75% use the City's program, which is self-insured. In addition, retirees may choose from two HMOs or a PPO. Premiums are charged to other City funds through a charge per employee per pay period.
Liability Reserve	Self-insured. Includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. Premiums are charged to other City funds each year based on historical costs.
Workers' Compensation	Self-insured. Premiums are charged to other City funds each year based on historical costs.

21 -- COMMITMENTS AND CONTINGENCIES, continued

The City purchases excess loss insurance for the Employee Benefits Fund. This stop loss insurance covers individual claims that exceed $150,000 per calendar year, up to a maximum of $1 million. During fiscal year 1998, one claim exceeded the stop loss limit of $150,000; no claims exceeded the limit in the prior two years. City coverage is limited to $1 million in lifetime benefits. The City does not subscribe to workers' compensation insurance.

The City purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bond, and airport operations. The City also purchases a broad range of insurance coverage through the Rolling Owner Controlled Insurance Program (ROCIP). The program provides auto and commercial general liability coverage for the City and for contractors working at selected capital improvement sites; it also provides workers' compensation, employers' liability, and excess liability for contractors at these sites. The City purchases medical malpractice insurance coverage for physicians in the City's Health and Human Services Department clinics. The City also purchases excess liability coverage for the Electric Fund. The City does not participate in a risk pool. There are no significant reductions in insurance coverage in fiscal year 1998.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities for the Employee Benefits Fund are calculated considering recent claim settlement trends; liabilities for the Liability Reserve Fund and Workers' Compensation Fund are calculated based on outstanding claims. The amount to be paid out ultimately may be more or less than the amount accrued at September 30, 1998. The possible range of loss is $19.7 - $31.5 million. The City contributes amounts to an internal service fund based on an estimate of the cost of claims expected to be incurred each year.

Changes in the balances of claims liability are as follows:

	Employee Benefits	Liability Reserve	Workers' Compensation
September 30, 1996 liability balances	$2,829,000	13,574,676	5,183,000
Claims and changes in estimates	2,481,000	4,234,360	2,605,292
Claims payments	2,407,000	2,348,900	2,605,292
September 30, 1997 liability balances	2,903,000	15,460,136	5,183,000
Claims and changes in estimates	1,778,000	793,878	1,269,228
Claims payments	2,143,000	2,980,987	2,562,228
September 30, 1998 liability balances	$2,538,000	13,273,027	3,890,000

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of $5,305,000 discounted at 5.06% in 1998 and $5,672,000 discounted at 5.47% in 1997.

h -- Nuclear Fuel

As more fully described in Note 18, the City is a 16% partner in the ownership of the South Texas Project (STP). As of September 30, 1997, the STP has commitments to purchase raw uranium with an approximate value of $24,619,000, conversion services of approximately $926,000 and fabrication services of approximately $11,163,000. These purchase commitments are the result of delivery notices issued to the service providers. These amounts represent services that will be needed for future refuelings in 1998 and 1999.

i -- Developer Reimbursement Claims

The City is in the process of reviewing claims made by the developers of the MUDs annexed in December 1997 (see Note 19). These claims are for reimbursement of costs incurred to construct water and wastewater facilities and related infrastructure, and are subject to verification from the engineering and accounting consultants performing the technical reviews. The City estimates the actual liability for developer reimbursement claims is between $0 and $38 million. As of September 30, 1998, no such claims have been accrued, since legal counsel has not determined any amount to be probable.

21 -- COMMITMENTS AND CONTINGENCIES, continued

j -- Environmental Remediation Contingencies

The Electric Fund may incur potential costs related to environmental remediation of certain sites, and has recorded a liability of $2,027,000 in 1998. Additional potential liabilities for remediation range from $0 to $5 million. This amount includes the cost of penalties associated with an Environmental Protection Agency (EPA) PCB inspection and estimated costs for the remediation of the contaminated sites. The Electric Fund may also incur other costs associated with the Seaholm Power Plant revitalization and remediation; the estimated potential additional costs for remediation range from $329,000 to $5.5 million. The Electric Fund anticipates incurring these costs between 1999 and 2001.

In addition, the Water and Wastewater Utility is currently involved in negotiations with the EPA concerning an Administrative Order due to wastewater overflows. The EPA has identified wastewater overflow issues that will require Utility resolution, including potential additional capital investment in the repair and/or rehabilitation of infrastructure. The outcome of these settlement negotiations and their impact on the Utility cannot be reasonably estimated at this time. An unfavorable outcome may also result in the payment of fines and penalties as determined by the EPA.

k -- Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights of way, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expense for the year ended September 30, 1998, amounted to $11,153,374. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments for these leases should be approximately the same amount.

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

The following summarizes assets recorded at September 30, 1998, under capital lease obligations:

	Electric Fund	Water & Wastewater Fund	Total
Assets			
Machinery and equipment	$ 235,940	--	235,940
Building	20,198,960	12,750,000	32,948,960
Total assets	20,434,900	12,750,000	33,184,900
Accumulated depreciation	6,055,707	2,677,500	8,733,207
Net assets	$ 14,379,193	10,072,500	24,451,693

21 -- COMMITMENTS AND CONTINGENCIES, continued

The following is an analysis of the future minimum lease payments under these capital leases and Certificates of Participation and the present value of the net minimum lease payments, as of September 30, 1998:

Fiscal Year Ended September 30	Electric Fund	Water and Wastewater Fund	Total
1999	$ 2,128,652	1,402,263	3,530,915
2000	2,117,715	1,400,606	3,518,321
2001	2,119,635	1,393,775	3,513,410
2002	2,119,535	1,406,194	3,525,729
2003	2,116,900	1,387,931	3,504,831
Later years	8,455,000	6,905,004	15,360,004
Total minimum lease payments	19,057,437	13,895,773	32,953,210
Less:			
Amount representing interest	5,233,519	4,270,773	9,504,292
Present value of net minimum lease payments	13,823,918	9,625,000	23,448,918
Current portion	1,173,918	675,000	1,848,918
Long-term portion	$ 12,650,000	8,950,000	21,600,000

The City guarantees certain energy improvement loans made by a bank. The maximum contingent liability of the RMD Loan Fund, a special revenue fund, is $6.5 million, which City management does not anticipate having to fulfill.

The City has entered into an agreement with the Federal Aviation Administration for the disposition of Robert Mueller Municipal Airport, including a provision for continued use of the City golf course and the associated land which was acquired with Federal airport grant assistance. A percent of the appraised market value at the date of the closure of Mueller Airport will be payable over 5 years from City funds to an account to be used for future work at Austin-Bergstrom International Airport (ABIA). As of September 30, 1998, the City has not completed an appraisal of the property.

In conjunction with the opening of Austin-Bergstrom International Airport (ABIA), the City has committed to stop sending household garbage to the City’s landfill site near ABIA 60 days prior to ABIA’s opening date. This action complies with the Environmental Protection Agency requirements. The landfill site will continue to accept non-bird attracting waste. The FAA has agreed to this approach. With the closing of the City landfill for household garbage, the City will enter into long-term contracts for landfill services.

22 -- OTHER POST-EMPLOYMENT BENEFITS

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

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

22 -- OTHER POST-EMPLOYMENT BENEFITS, continued

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

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

Years of Service	Retiree only	Dependent only
Less than 5 years	12% - 20%	8% - 9%
5 to 10 years	18% - 30%	12% - 14%
10 to 15 years	24% - 40%	16% - 18%
15 to 20 years	36% - 60%	24% - 27%
20 to 25 years	48% - 80%	32% - 36%
Greater than 25 years	60% - 100%	40% - 45%

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

Other post-employment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as payroll expense/expenditure in an operating fund with corresponding revenue in the Employee Benefits Fund. Medical and dental premiums and claims and life insurance premiums are reported in the Employee Benefits Fund. The cost of providing these benefits for 1,769 retirees and 8,699 active employees in 1998 and 1,648 retirees and 8,747 active employees in 1997 is not separable and cannot be reasonably estimated. Total payments to the Employee Benefits Fund for retirees and active employees were $24,600,422 in 1998 and $25,034,113 in 1997.

As more fully described in Note 18, the City is a participant in the South Texas Project Nuclear Operating Company (OPCO) and as such is liable for certain post-employment benefits for OPCO employees. At September 30, 1998, the City's portion of this obligation, $2,761,341, is not reflected in the financial statements of the Electric Fund.

23 -- SUBSEQUENT EVENTS

a -- General Obligation Bonds Issuance

In October 1998, the City issued Public Improvement Bonds, Series 1998, in the amount of $13,430,000. Of the proceeds from the issue, $6,743,000 will be used for street improvements, $1,376,000 will be used for drainage and flood control, $2,560,000 will be used for health, safety and welfare renovations, $951,000 will be used for erosion and flood control, and $1,800,000 will be used by various departments for communications equipment. These bonds will be amortized serially on September 1 of each year from 2001 to 2018. Certain of these bonds are callable beginning September 1, 2008. Interest is payable on March 1 and September 1 of each year, commencing March 1, 1999. Total interest requirements for these bonds, at rates ranging from 4.4% to 7.13%, are $9,831,518.

b -- Public Property Finance Contractual Obligations Issuance

In October 1998, the City issued Public Property Finance Contractual Obligations, Series 1998, in the amount of $14,975,000. Of the proceeds from the issue, $1,520,000 will be used by Information Systems Department for capital equipment, $250,000 will be used by the Solid Waste Services Department for capital equipment, $3,505,000 will be used by the Water and Wastewater Department for capital equipment, and $9,700,000 will be used by various departments for radio trunking. These contractual obligations will be amortized serially May 1 and November 1 of each year from 1999 to 2005. The contractual obligations are not subject to optional redemption prior to their maturity. Interest is payable on May 1 and November 1 of each year, commencing May 1, 1999. Total interest requirements for these contractual obligations, at rates ranging from 3.88% to 4.5%, aggregate $2,675,897.

23 -- SUBSEQUENT EVENTS, continued

c -- Certificates of Obligation Issuance

In October 1998, the City issued Certificates of Obligation, Series 1998, in the amount of $22,770,000. Of the proceeds from the issue, $10,500,000 will be used by the Public Works and Transportation Department for road construction and improvements, $3,960,000 will be used by the Watershed Protection Department for drainage improvements, $4,825,000 will be used by the Solid Waste Department for construction and improvement of solid waste disposal facilities, $1,950,000 will be used by the Parks and Recreation Department for golf course improvements, and $1,535,000 will be used by the Fleet Department for the purchase of real property. These certificates of obligation will be amortized serially September 1 of each year from 1999 to 2018. Certain of these obligations are callable beginning September 1, 2008. Interest is payable on March 1 and September 1 of each year, commencing March 1, 1999. Total interest requirements for these obligations, at rates ranging from 4.1% to 7.0%, aggregate $13,443,633.

d -- Annexation

In December 1998, the City Council approved an annexation plan and adopted ordinances that will result in an increase of more than $68,691,066 in assessed valuation to the City's tax rolls. These actions included eleven full purpose annexations and five limited purpose annexations that brought 2,483 acres and 2,124 new residents into the City limits, including three municipal utility districts (MUDs). Effective December 31, 1998, in accordance with State law, the City assumed all of the assets and liabilities of the three MUDs, including property taxes levied by the MUDs in fiscal year 1999, and began providing City services to all of the newly annexed areas. The City began receiving sales tax and franchise fee revenues from these areas upon annexation. The City will collect its first property tax revenues from these areas in fiscal year 2000.

e -- Combined Utility Systems Debt -- Revenue Bond Refunding Issues

In November 1998, the City issued $245,314,512 of Combined Utility Systems Revenue Refunding Bonds to refund $139,550,000 of previously issued Combined Utility Systems Revenue Bonds and $100,000,000 of Combined Utility Systems Commercial Paper Notes, Series A.

The refunding of the Refunded Bonds will accomplish a restructuring of a portion of the debt attributable to the Electric, Water and Wastewater Systems in order to more closely match debt service with the service life of the assets. In fiscal year 1999, the refunding will convert a portion of the Commercial Paper Notes then currently outstanding to long-term debt.

The refunding resulted in a decrease in cash flow requirements to service the debt of $8,208,656. An economic gain of $7,132,475 was recognized on this transaction. An accounting loss of $15,978,149 which will be deferred and amortized in accordance with Statement of Financial Accounting Standards No. 71, was recognized on the refunding. The following bonds were refunded in this transaction (in thousands of dollars):

Series	Amount
	$
1994 Refunding	35,400
1995 Refunding	103,100
1996A Refunding	1,010
1996B Refunding	40

f -- Conduit Debt

In October 1998, the ABIA (Austin-Bergstrom International Airport) Development Corporation issued $8.5 million of tax exempt debt and $300,000 of taxable debt. The bonds do not constitute a debt or pledge of the Airport System revenues nor the faith and credit of the City and accordingly will not be reported in the City's financial statements.

APPENDIX F

FORM OF BOND INSURANCE POLICY

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer