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
$40,000,000
TOWN LAKE PARK COMMUNITY EVENTS CENTER VENUE PROJECT BONDS
SERIES 1999

Dated: November 15, 1999

Due: November 15, as shown on the inside cover

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-only form through DTC Participants only in denominations of $5,000 or any integral multiple thereof, and, while the book-entry-only 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-only system. See "DESCRIPTION OF THE SERIES 1999 BONDS" herein.

The Series 1999 Bonds 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. See "DESCRIPTION OF THE SERIES 1999 BONDS" herein.

The Series 1999 Bonds are issued pursuant to 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 first lien on certain Pledged Revenues and special funds described herein. The City reserves the right to issue additional parity revenue bonds for refunding purposes. The Pledged Revenues consist primarily of (i) the revenues received from the Special Motor Vehicle Rental Tax deposited to the credit of the Venue Project Fund , (ii) Parking Revenues deposited to the credit of the Venue Project Fund, (iii) Events Center Revenues deposited to the credit of the Venue Project Fund, (iv) interest and other income realized from the investment of amounts on deposit in the funds and accounts created by the Ordinance to the extent such interest and other income are required to be transferred or credited to the Venue Project Fund, and (v) any additional revenue, receipts or income hereafter pledged to the Series 1999 Bonds in accordance with the Ordinance. See "SECURITY FOR THE SERIES 1999 BONDS" herein.

AN INVESTMENT IN THE SERIES 1999 BONDS INVOLVES CERTAIN RISKS. A PROSPECTIVE BONDHOLDER IS ADVISED TO READ THIS ENTIRE OFFICIAL STATEMENT PRIOR TO MAKING AN INVESTMENT IN THE SERIES 1999 BONDS, PARTICULARLY THE SECTION HEREOF ENTITLED "BONDHOLDERS' RISKS."

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 THE SPECIAL MOTOR VEHICLE RENTAL 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.

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 Financial Guaranty Insurance Company ("Financial Guaranty") 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 City by McCall, Parkhurst & Horton L.L.P. It is expected the Series 1999 Bonds will be available for delivery when issued, currently anticipated on or about November 23, 1999.

William R. Hough & Co. | **J.C. Bradford & Co.**

Coastal Securities | **Southwest Securities**

Dated: October 28, 1999

MATURITY SCHEDULE

Maturity	Amount	Rate	Yield	Maturity	Amount	Rate	Yield
2003	$350,000	6.75%	4.65%	2015	$1,275,000	5.80%	5.85%
2004	500,000	6.75	4.80	2016	1,355,000	5.80	5.95
2005	710,000	6.75	4.95	2017	1,435,000	6.00	6.00
2006	755,000	6.75	5.05	2018	1,520,000	6.00	6.03
2007	800,000	6.75	5.15	2019	1,615,000	6.00	6.05
2008	845,000	6.75	5.25	2020	1,710,000	6.00	6.07
2009	900,000	6.75	5.30	2021	1,815,000	6.00	6.09
2010	955,000	5.30	5.40	2022	1,920,000	6.00	6.10
2011	1,010,000	5.40	5.50	2023	2,040,000	6.00	6.13
2012	1,070,000	5.50	5.60	2024	2,160,000	6.00	6.14
2013	1,135,000	5.60	5.70	2025	2,290,000	6.00	6.15
2014	1,205,000	5.75	5.80				

$10,630,000 6.20% Term Bonds Due November 15, 2029: Price 100%

(plus accrued interest from November 15, 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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13th Floor
Austin, Texas 78701
(512) 472-7194

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OFFICIAL STATEMENT

relating to

$40,000,000

City of Austin, Texas
Town Lake Park Community Events Center Venue Project 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 Town Lake Park Community Events Center Venue Project Bonds, Series 1999, in the original aggregate principal amount of $40,000,000 (the "Series 1999 Bonds").

The Series 1999 Bonds are being issued pursuant to 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 October 28, 1999.

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 first lien on the Pledged Revenues (as hereinafter described) and special funds described herein. The Pledged Revenues consist primarily of (i) the revenues received from the Special Motor Vehicle Rental Tax deposited to the credit of the Venue Project Fund, (ii) Parking Revenues deposited to the credit of the Venue Project Fund, (iii) Events Center Revenues deposited to the credit of the Venue Project Fund, (iv) interest and other income realized from the investment of amounts on deposit in the funds and accounts created by the Ordinance to the extent such interest and other income are required to be transferred or credited to the Venue Project Fund, and (v) any additional revenue, receipts or income hereafter pledged to the Series 1999 Bonds in accordance with the Ordinance. See "Security for the Series 1999 Bonds" 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.

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 SPECIAL MOTOR VEHICLE RENTAL TAX) 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.

Except for the right to issue bonds ("Additional Bonds") to refund in part the Series 1999 Bonds, the Ordinance does not permit the issuance of 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 Financial Guaranty Insurance Company ("Financial Guaranty") 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.

USE OF FUNDS

The proceeds from the sale of the Series 1999 Bonds, including net premium to the City, will be applied as follows:

Deposit to Venue Project Construction Fund	$39,555,000.00
Costs of Issuance, including Bond Insurance	484,450.75
Total	40,039,450.75

The Purchasers shall retain $183,200 of the initial offering premium as gross compensation.

DESCRIPTION OF THE SERIES 1999 BONDS

The Series 1999 Bonds will be dated November 15, 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 not 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, are 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 subject to mandatory redemption in part 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
2026	$ 2,430,000
2027	2,575,000
2028	2,730,000
2029 (maturity)	2,895,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of 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 or (2) 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 State Street Bank and Trust Company of Missouri, N.A., St. Louis, Missouri. 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 l5 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 date fixed for redemption of the Series 1999 Bonds; such limitation on transfer is not applicable to an exchange by any bondholder 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 Special Motor Vehicle Rental Tax.

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, when (i) money sufficient to pay in full such Series 1999 Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/ Registrar, or an authorized escrow agent, which Government Obligations have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Series 1999 Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. Any moneys so deposited with the Paying Agent/ Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar or an authorized escrow agent, which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the City, be remitted to the City against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the City shall be subject to any applicable unclaimed property laws of the State of Texas.

Amendments

Amendment of Ordinance Without Consent. The City may, without the consent of or notice to any of the registered owners of the Bonds, amend the Ordinance for certain purposes including, but not limited to, (i) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinance or in the Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that 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, 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 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 Bonds, only with the consent of the registered owner or owners of not less than fifty percent of the aggregate unpaid principal amount of the Parity Revenue 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 Series 1999 Bond issued under the Ordinance, or (b) a reduction in the principal amount of any Series 1999 Bond or the rate of interest on any Series 1999 Bond, or (c) a privilege or privily of any Series 1999 Bond or Series 1999 Bonds over any other Series 1999 Bond or Series 1999 Bonds, or (d) a reduction in the aggregate principal amount of the Series 1999 Bonds required for consent to such amendment.

SECURITY FOR THE SERIES 1999 BONDS

Pledge

The Series 1999 Bonds are special obligations of the City and are payable from and are equally and ratably secured by a first lien on the Pledged Revenues, which consist of (i) the revenues received from the Special Motor Vehicle Rental Tax deposited to the credit of the Venue Project Fund , (ii) Parking Revenues deposited to the credit of the Venue Project Fund, (iii) Events Center Revenues deposited to the credit of the Venue Project Fund , (iv) interest and other income realized from the investment of amounts on deposit in the funds and accounts created by this Ordinance to the extent such interest and other income are required to be transferred or credited to the Venue Project Fund, and (v) any additional revenue, receipts or income hereafter pledged to the Series 1999 Bonds in accordance with the Ordinance.

Except for bonds issued to refund the Series 1999 Bonds, the City 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, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Series 1999 Bonds.

The City, pursuant to the Ordinance, further grants a first lien on the Venue Project Fund, the Debt Service Account and the Debt Service Reserve Account 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 of the City. See "SECURITY FOR THE SERIES 1999 BONDS - Accounts 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 SPECIAL MOTOR VEHICLE RENTAL TAX) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE SERIES 1999 BONDS.

Levy of Special Motor Vehicle Rental Tax

Pursuant to an ordinance adopted after the election and the Ordinance, the City levies and covenants that it shall continue to levy, while any Series 1999 Bonds remain Outstanding, a Special Motor Vehicle Rental Tax of 5% on the gross rental receipts from the rental in the City of a motor vehicle for a period of less than thirty days. The City further covenants that it shall enforce the provisions of the Ordinance and the ordinance, relating to imposition, collection and expenditure of the Special Motor Vehicle Rental Tax.

Annual Budget/Rates and Fees

Beginning the first Fiscal Year the Parking Garage or Town Lake Community Events Center is scheduled to be open for activities and operating and each Fiscal Year thereafter while the Bonds are Outstanding , the City agrees that prior to the commencement of each such Fiscal Year an annual budget for the Parking Garage and Town Lake Community Events Center shall be adopted and approved which identifies and provides (i) the amount of Special Motor Vehicle Rental Tax Revenues, Parking Revenues and Events Center Revenue allocated and budgeted to pay the Operation and Maintenance Costs of the Parking and Events Center for said Fiscal Year and (ii) the anticipated Operating and Maintenance Costs of the Parking Garage and Town Lake Community Events Center, and to the extent such annual budget contemplates and provides for Parking Revenues and Events Center Revenues to pay or cover such Operation and Maintenance Costs, the City shall assess and collect for the use of such Parking Garage and Town Lake Community Events Center a fee or charge sufficient to produce the revenues so allocated and budgeted for such purposes.

Special Funds

The City confirms in the Ordinance the establishment of the Venue Project Fund for the Town Lake Park Community Events Center Venue Project in accordance with Section 334.042 of the Act and pursuant to the ordinance imposing the Special Motor Vehicle Rental Tax and such Fund is to be maintained at an official depository of the City. The Ordinance provides for the following sub-accounts to be established and maintained on the books of the City while any of the Series 1999 Bonds remain Outstanding, to wit:.

(i) Town Lake Park Community Events Center Venue Project Special Motor Vehicle Rental Tax Account ("Tax Account");

(ii) Town Lake Park Community Events Center Parking Garage Account ("Parking Garage Account");

(iii) Town Lake Park Community Events Center Venue Gross Revenue Account ("Events Center Revenue Account");

(iv) Town Lake Park Community Events Center Venue Project Bond Debt Service Account ("Debt Service Account");

(v) Town Lake Park Community Events Center Venue Project Bond Debt Service Reserve Account ("Debt Service Reserve Account");

(vi) Town Lake Park Community Events Center Venue Project Repair and Replacement Account ("Repair and Replacement Account"); and

(vii) Town Lake Park Community Events Center Venue Project Operating Account ("Operating Account").

Flow of Funds

The City covenants and agrees in the Ordinance that all receipts and revenues collected and received by the City from the Special Motor Vehicle Rental Tax, the Parking Revenues and the Events Center Revenues shall be deposited to the credit of the Venue Project Fund and more particularly to the credit of the Tax Account, the Parking Garage Account and Events Center Revenue Account, respectively.

(a) Tax Account. Following the issuance of the Series 1999 Bonds and while the Series 1999 Bonds remain Outstanding, moneys from time to time credited to the Tax Account shall be applied in the following order of priority:

First, to the payment of the amounts to be deposited to the credit of the Debt Service Account required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Second, to the payment of the amounts to be deposited to the credit of the Debt Service Reserve Account required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Third, to the payment of the amounts to be deposited to the credit of the Repair and Replacement Account required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Fourth, to pay amounts to be deposited to the credit of the Operating Account, including the establishment and maintenance of an operating reserve to operate and maintain the Town Lake Community Events Center and Parking Garage, as required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Fifth, for any lawful purpose under the Act and as authorized by the election held November 3, 1998.

(b) Parking Garage Account/Events Center Account. The City covenants and agrees Parking Revenues and the Events Center Revenues shall be deposited to the credit of the Venue Project Fund and more particularly to the credit of the Parking Garage Account and Events Center Revenue Account, respectively. Following the issuance of the Series 1999 Bonds and while the Series 1999 Bonds remain Outstanding, moneys from time to time credited to the Parking Garage Account and Events Center Revenue Account shall be applied in the following order of priority:

First, to the payment of the amounts to be deposited to the credit of the Debt Service Account required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Second, to the payment of the amounts to be deposited to the credit of the Debt Service Reserve Account required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Third, to the payment of the amounts to be deposited to the credit of any special fund or account maintained for the payment of Subordinate Lien Bonds in the manner and to the extent required by the ordinance(s) authorizing their issuance.

Fourth, to the payment of the amounts to be deposited to the credit of the Repair and Replacement Account required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Fifth, to pay amounts to be deposited to the credit of the Operating Account, including the establishment and maintenance of an operating reserve to operate and maintain the Town Lake Community Events Center and Parking Garage, as required by the Ordinance and any ordinance authorizing the issuance of Additional Bonds.

Sixth, for any lawful purpose under the Act and as authorized by the election held November 3, 1998.

Debt Service Account

Moneys deposited to the credit of the Debt Service Account shall be used solely for the purpose of paying principal (at maturity or prior redemption or to purchase Parity Revenue Bonds in the open market to be credited against any mandatory redemption requirements), interest and redemption premiums on the Parity Revenue 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 for the Parity Revenue Bonds, the City shall transfer from the Debt Service Account to the appropriate paying agent/registrar amounts equal to the principal, interest and redemption premiums payable on the such bonds on such date.

The City covenants and agrees that prior to each interest payment date, stated maturity date and mandatory redemption date for the Series 1999 Bonds there shall be deposited into the Debt Service Account 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 Series 1999 Bonds, and such deposits to pay the Series 1999 Bonds at maturity or redemption, as the case may be, and accrued interest thereon shall be made in substantially equal quarterly installments on or before each February 15, May 15, August 15 and November 15 (the "Transfer Dates") in each year, beginning on the first Transfer Date to occur after the delivery of the Series 1999 Bonds.

In addition, on each Transfer Date, the City covenants and agrees to cause to be deposited into the Debt Service Account 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 Series 1999 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 Series 1999 Bonds.

Debt Service Reserve Account

(a) General Provisions. The City hereby covenants and agrees the Reserve Fund Requirement shall be initially funded in full on the date of the delivery of the Bonds with a Surety Bond issued by the Surety Bond Issuer as provided below.

While the coverage afforded by a Surety Bond totals not less than the Reserve Fund Requirement, no deposits need be made to the credit of the Debt Service Reserve Account from the Pledged Revenues. Should the Debt Service Reserve Account at any time contain less than the Reserve Fund Requirement the City covenants and agrees to cause quarterly deposits to be made to the Debt Service Reserve Account on or before the Transfer Dates (beginning with the Transfer Date next following the date the deficiency in the Reserve Fund Requirement occurred) from Pledged Revenues in an amount equal to 1/20th of the Reserve Fund Requirement until the total Reserve Fund Requirement has been fully restored; provided, however, should the City be obligated to repay or reimburse the Surety Bond Issuer to replenish and restore the full amount of coverage provided by the Surety Bond, the City covenants and agrees to cause deposits to be made to the Debt Service Reserve Account from Pledged Revenue to fully restore the coverage afforded by the Surety Bond at the times, in the manner and in the amounts specified in the Reserve Fund Policy Agreement. The City further covenants and agrees that, subject only to the deposits to be made to the Debt Service Account, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Reserve Fund Requirement and to cure any deficiency in such amount as required by the terms of this Ordinance.

The amounts deposited to the credit of the Debt Service Reserve Account shall be used solely for the payment of (i) the principal of and interest on the Parity Revenue Bonds when (whether at maturity, upon a redemption date or any interest payment date) other funds available for such purposes are insufficient, (ii) the amounts required to restore or replenish in full the coverage afforded by a Surety Bond representing all or a portion of the Reserve Fund Requirement.

(b) Surety Bond Provisions. As noted above, the Reserve Fund Requirement is to be funded in full with a Surety Bond issued by Financial Guaranty (hereinafter referred to as "the Surety Bond Issuer"). In accordance with Surety Bond Issuer's terms for the issuance of such Surety Bond, it is hereby expressly provided that notwithstanding any other provision of this Ordinance, the Paying Agent/Registrar shall ascertain the necessity for a claim upon the Surety Bond and provide notice in accordance with the terms of the Surety Bond at least two business days prior to each interest payment. Notwithstanding any provision in the Ordinance to the contrary, should there be a conflict between the provisions of the Ordinance and the provisions of the Reserve Fund Policy Agreement with respect to the obligation of the City to restore or replenish the full amount of coverage provided by the Surety Bond, the provisions of the Reserve Fund Policy Agreement shall control with respect to such matters.

Repair and Replacement Account

For purposes of accumulating and maintaining funds as a reserve for the payment of repair, replacement and maintenance costs of the Parking Garage and Town Lake Community Events Center, the City agrees to accumulate and maintain in the Repair and Replacement Account an amount equal to $1,000,000 (the "Repair and Replacement Reserve") and all funds deposited therein shall be used solely for the payment of (i) costs and expenses which under generally accepted accounting principals are capital costs as opposed to Operation and Maintenance Costs of the Parking Garage and Town Lake Community Events Center when other funds available for such purposes are insufficient, or (ii) to pay principal of and interest on Parity Revenue Bonds when funds deposited to the credit of the Debt Service Account and Debt Service Reserve Account are insufficient for such purpose.

Beginning with the first Transfer Date to occur in the first full fiscal year the Parking Garage or Town Lake Community Events Center, either or both, are operational and on each Transfer Date thereafter, there shall be transferred from the Tax Account, Parking Garage Account and Events Center Account (to the extent amounts are available therein and after making all required transfers to the Accounts having a priority ahead of the Repair and Replacement Account) to the Repair and Replacement Account an amount equal to 1/20th of the Repair and Replacement Reserve.

While the cash and investments in the Repair and Replacement Account total not less than the Repair and Replacement Reserve, no deposits from the Pledged Revenues need be made to the credit of the Repair and Replacement Account; but, if and when such Account at any time contains less than the Repair and Replacement Reserve, the City covenants and agrees to cause deposits to be made to the Repair and Replacement Account on each Transfer Date following the date the deficiency in the Repair and Replacement Reserve occurred by reason of a draw on such Account or as a result of a reduction in the market value of investments held for said Account from the Pledged Revenues in an amount equal to 1/20th of the Repair and Replacement Reserve until such total amount required to be maintained in such Account has been fully restored. During such time as the Repair and Replacement Account contains the total Repair and Replacement Reserve, the City may, at its option, withdraw all surplus in such Account resulting from investments held for such Account.

Operating Account

Beginning with the first Transfer Date to occur in the fiscal year the Parking Garage or Town Lake Community Events Center, either or both, are contemplated to become operational and funds are budgeted therefor in the annual budget of the City and on each Transfer Date thereafter, there shall be transferred from the Tax Account, Parking Garage Account and Events Center Account (to the extent amounts are available therein and after making all required transfers to the Accounts having a priority ahead of the Operating Account) an amount equal to one-fourth (1/4th) of the amounts allocated and budgeted to pay or cover such budgeted Operating and Maintenance Expenses of the Parking Garage and Town Lake Community Events Center for such Fiscal Year. In the preparation of the City's annual budget, 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 at the time the recommended budget for the Parking Garage and Town Lake Community Events Center is first submitted to the City for consideration and approval identify the amount of Pledged Revenues allocated and budgeted to pay and cover Operation and Maintenance Expenses for the Parking Garage and Town Lake Community Events Center or the amount allocated and budgeted therefore in the then current Fiscal Year . Amounts from time to time credited to the Operating Account may be used at any time to pay for any Operation and Maintenance Expenses.

In addition to the amounts to be deposited into the Operating Account to provide for the payment of current Operating and Maintenance Expenses of the Parking Garage and Town Lake Community Events Center as provided above, there shall also be accumulated and maintained in the Operating Fund an Operation Reserve in an amount equal to six months of Operation and Maintenance Expenses for the Parking Garage and Town Lake Community Events Center (the "Operating Reserve"). Following the issuance of the Series 1999 Bonds and the end of the first full or partial year's operation of the Parking Garage and Town Lake Community Events Center, there shall also be deposited on the Transfer Date occurring in November of each year, after making all required transfers at such time to the accounts having a priority ahead of any transfer to the Operating Account, an amount equal to one-twelfth (1/12th) of the Maintenance and Operation Expenses of the Parking Garage and Town Lake Community Events Center incurred for the most recent completed fiscal year and according to the books and records of the City maintained with respect to the operation and maintenance of such facilities until there has been accumulated in the Operating Account an Operating Reserve.

Deficiencies in Funds or Accounts

If on any Transfer Date there shall not be transferred into any fund or account maintained pursuant to the Ordinance 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 moneys in the Tax Account, Parking Garage Account and Events Center Account, as the City shall determine, and such transfer shall be in addition to the amounts otherwise required to be transferred to such funds or accounts on any succeeding Transfer Date or Dates.

Construction Fund

The proceeds of sale of the Bonds, less accrued interest received from the purchasers of the Bonds and costs of issuance paid at closing, shall be deposited to the credit of a construction account established and maintained on the books of the City within the Venue Project Fund . The accrued interest received from the purchasers of the Bonds shall be deposited to the credit of the Debt Service Account. Any surplus amounts in the construction fund not required for the payment of costs of the Town Lake Park Community Events Center Venue Project shall, at the direction of the City, be transferred to the Debt Service Account.

Investment of Funds; Transfer of Investment Income

Money in all funds or accounts 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 Additional Bonds or Subordinate Lien 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 any funds and accounts may be transferred to the Events Center Revenue Account, except as provided in the following paragraph below; provided that at any time when the Debt Service Reserve Account has on deposit an amount less than the Reserve Fund Requirement, all interest and income on such fund shall remain therein.

Any interest and income derived from deposits and investments of any amounts credited to any fund or account may be (1) transferred into any rebate account or subaccount and (2) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained herein or required in order to prevent interest on any Series 1999 Bonds, Additional Bonds or Subordinate Lien Bonds from being includable within the gross income of the owners thereof for federal income tax purposes.

While any Series 1999 Bonds remain Outstanding, all uninvested moneys on deposit in, or credited to, the above described funds and accounts shall be secured by the pledge of security, as provided by Texas law.

Additional Bonds

Save and except for refunding bonds issued to refund all or part of the Series 1999 Bonds in accordance with the representations below, 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.

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 Revenue Bonds to be Outstanding in any Fiscal Year after the issuance of such refunding bonds will not exceed (1) the maximum annual debt service requirements for all Parity Revenue Bonds Outstanding in any Fiscal Year prior to the issuance of Additional Bonds and (2) the average annual Debt Service Requirement for all Parity Revenue Bonds Outstanding at the end of the last completed Fiscal Year prior to the issuance of such Additional Bonds.

Subordinate Lien Bonds

The City reserves the right to issue or incur, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by a lien on and pledge of the Parking Revenues and Events Center Revenues junior and subordinate to the lien on and pledge of such Pledged Revenues securing payment of the Parity Revenue Bonds.

BOND INSURANCE

The Information contained or referred to in this Official Statement relating to Financial Guaranty has been provided by Financial Guaranty.

Concurrently with the issuance of the Series 1999 Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Series 1999 Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 1999 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City (the "Issuer"). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 1999 Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Series 1999 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 1999 Bond includes any payment of principal or interest made to any owner of a Series 1999 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 1999 Bonds. The Policy covers failure to pay principal of the Series 1999 Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 1999 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 1999 Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 1999 Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 1999 Bonds. Reference should be made to such section for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 1999, the total capital and surplus of Financial Guaranty was $1,285,559,848. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

Year 2000 Readiness Disclosure

Financial Guaranty is aware of the potential disruptive effect of the Year 2000 problem and recognizes that it is possible that an issuer may be unable to make timely payment of debt service due to Year 2000 problems. Financial Guaranty is surveying selected issuers, trustees and paying agents to assess their Year 2000 readiness. Financial Guaranty believes that it has adequate sources of liquidity to cover any payments occasioned by an issuer's temporary inability to make timely payment of debt service due to Year 2000 problems.

Commencing in early 1998, Financial Guaranty implemented an action plan to make its computer systems and applications Year 2000 ready. As of this time, Year 2000 system remediation and testing is complete for all of Financial Guaranty's internal systems and applications. In addition, Financial Guaranty has updated, and will continue to update, its business contingency and disaster recovery plans. Financial Guaranty also will continue to monitor certain third parties throughout 1999 and into the year 2000.

Debt Service Reserve Fund Policy

Concurrently with the issuance of the Series 1999 Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond Debt Service Reserve Fund Policy (the "Reserve Policy"). The Reserve Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 1999 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Issuer, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy, \$3,055,465. Financial Guaranty will make such payments to the paying agent (the "Paying Agent") for the Series 1999 Bonds on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Paying Agent of the nonpayment of such amount by the Issuer. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 1999 Bonds. The Reserve Policy covers failure to pay principal of the Series 1999 Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Series 1999 Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Series 1999 Bonds or the date on which no Series 1999 Bonds are outstanding under the authorizing document.

Generally, in connection with its issuance of a Reserve Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Series 1999 Bonds or (B) remedies which would adversely affect holders in the event that the issuer fails to reimburse Financial Guaranty for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the issuer of the Series 1999 Bonds is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 1999 Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 1999 Bonds. Reference should be made to the description of the the City for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

THE TOWN LAKE PARK COMMUNITY EVENTS CENTER VENUE PROJECT

The new Town Lake Community Events Center is a center servicing both public and private events in the community, often for smaller events that do not meet the criteria for use of the Convention Center. These include trade shows, seminars, performances etc. The overall facility is intended to be 121,000 square feet ("SF"). The main space is the 70,000 SF exhibit area that can be used as one space or be divided into two areas of approximately 45,000 and 25,000 SF. There are also five meeting rooms adding up to approximately 7,000 SF. These are usable as one space or divisible into five rooms for simultaneous events. The remaining 44,000 SF of space is for the facility support, to include lobbies, restrooms, concessions areas, stairwells, elevators, mechanical and electrical equipment rooms, storage and offices. The facility will be served by a parking garage of approximately 1,200 spaces. Particulars for arrangements between Austin Energy and the Convention Center for use of the garage have not been worked out.

The project is in the design development stage and being prepared for multiple bid packages. The first bid package will be site demolition to clear the work area for the subsequent construction contracts. The target date for this first contract is February 15, 2000. The earthwork/foundation bid package will follow by approximately April 15, 2000. The main buildings construction contract target date is July 15, 2000 for initiation. Each of these construction contracts will be for both the Events Center and the Parking Garage. There will also be separate bid packages for the major structural steel components and mechanical equipment. The target date for completion of the above listed construction contracts is July 30, 2001. This is the anticipated completion date for the new Events Center and Parking Garage. This would then allow the final demolition contract to remove the City Coliseum and its associated parking area during the fall of 2001.

The Park RFQ (Request for Qualifications) for selection of a park designer is ready for issue. The target date for the first park construction contract is to have approval by City Council in December 2000. There has been $3.4M made available for development of the first park component. Approximately $2.5M of the $3.4M will be available for this first park construction contract.

FINANCIAL CONSULTANT'S REPORT

The City has engaged Leigh Fisher Associates ("Leigh Fisher") to project future amounts of revenues to be generated for the Special Motor Vehicle Rental Tax and the additional Pledged Revenues in order to assess the ability of these sources of revenue to generate sufficient annual funds to meet debt service requirements during Fiscal Years 2000 through 2005, the Forecast Period.

References made herein to Leigh Fisher's 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 Pledged Revenue analysis described above and a sensitivity analysis. However, any projection is subject to uncertainties. Inevitably, some assumption will not be realized, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the forecast period will vary from the forecast and such variations may be material.

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DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	The Bonds Principal	The Bonds Interest	The Bonds Total	% of Principal Payout
9/30/00	$ 0	$ 1,213,401	$ 1,213,401	
9/30/01	0	2,426,802	2,426,802	
9/30/02	0	2,426,802	2,426,802	
9/30/03	0	2,426,802	2,426,802	
9/30/04	350,000	2,414,990	2,764,990	
9/30/05	500,000	2,386,302	2,886,302	2.13%
9/30/06	710,000	2,345,465	3,055,465	
9/30/07	755,000	2,296,021	3,051,021	
9/30/08	800,000	2,243,540	3,043,540	
9/30/09	845,000	2,188,021	3,033,021	
9/30/10	900,000	2,129,128	3,029,128	12.15%
9/30/11	955,000	2,073,445	3,028,445	
9/30/12	1,010,000	2,020,868	3,030,868	
9/30/13	1,070,000	1,964,172	3,034,172	
9/30/14	1,135,000	1,902,968	3,037,968	
9/30/15	1,205,000	1,836,544	3,041,544	25.59%
9/30/16	1,275,000	1,764,925	3,039,925	
9/30/17	1,355,000	1,688,655	3,043,655	
9/30/18	1,435,000	1,606,310	3,041,310	
9/30/19	1,520,000	1,517,660	3,037,660	
9/30/20	1,615,000	1,423,610	3,038,610	43.59%
9/30/21	1,710,000	1,323,860	3,033,860	
9/30/22	1,815,000	1,218,110	3,033,110	
9/30/23	1,920,000	1,106,060	3,026,060	
9/30/24	2,040,000	987,260	3,027,260	
9/30/25	2,160,000	861,260	3,021,260	67.70%
9/30/26	2,290,000	727,760	3,017,760	
9/30/27	2,430,000	583,730	3,013,730	
9/30/28	2,575,000	428,575	3,003,575	
9/30/29	2,730,000	264,120	2,994,120	
9/30/30	2,895,000	89,745	2,984,745	100.00%

BONDHOLDERS' RISKS

General

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and bondholders' risks set forth throughout this Official Statement, and should specifically consider certain risks associated with the Series 1999 Bonds. There follows a discussion of some, but not necessarily all, of the possible risk factors which should be carefully evaluated by prospective purchasers of the Series 1999 Bonds prior to purchasing any Series 1999Bonds. The Series 1999 Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the risks and merits of an investment in the Series 1999 Bonds, and confer with their own legal and financial advisors before considering a purchase of the Series 1999 Bonds.

Bond Insurer

The ability of the Insurer to provide funds to make principal and interest payments on the Series 1999 Bonds in accordance with the Policy is based solely upon the Insurer's general credit, and is not secured or otherwise guaranteed by any other entity. The City is under no obligation to supply, or cause to be supplied, an alternate insurance policy if the Insurer fails to pay as required under the Policy or becomes insolvent or bankrupt, or if the ratings on the Series 1999 Bonds are reduced or withdrawn. If the Insurer becomes insolvent or bankrupt while the Policy is outstanding, the owners of the Series 1999 Bonds may become general unsecured creditors of the Insurer. Prospective purchasers of the Series 1999 Bonds should analyze the financial condition of the Insurer carefully to determine whether it has the ability to make payments required under the Policy. For a description of the Insurer, see "BOND INSURANCE POLICY AND INSURER" herein.

Achievement of Projections

The collection of Pledged Revenues in amounts sufficient to pay debt service on the Series 1999 Bonds when due is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No representation or assurance is given or can be made that Pledged Revenues will be realized in amounts sufficient to pay debt service when due on the Series 1999 Bonds.

The receipt of Pledged Revenues is subject to, among other factors, the origin and destination passenger activity levels at the Airport, the renting of cars in general in the City in the future, the level of rental car activity at the Airport and in the City in the future, future economic conditions, and other conditions which are impossible to predict. The future collection and remittance of the Special Motor Vehicle Rental Tax will have a direct impact upon the payment of principal of and interest on the Series 1999 Bonds.

Assumptions in the Financial Consultant's Report

As noted in the Financial Consultant's Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "FINANCIAL CONSULTANT'S REPORT" herein and "APPENDIX B."

Airline Industry and Airport Factors

The Financial Consultant's Report estimates that the Airport rental car activity is approximately 69% of all rental car activity in the City. The factors affecting aviation activity with respect to the Airport and the resulting impact on the rental of motor vehicles at the Airport include: American Airlines, Southwest Airlines and other airline's service and route networks; the financial health and viability of the airline industry; national and international economic and political conditions; the availability and price of aviation fuel; levels of air fares; alternate competing technologies for communication and transportation; the capacity of the national air traffic control system; and capacity at the Airport and elsewhere.

The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. Recent financial results of most airlines have shown profits although the last five years reflected substantial net losses. If American Airlines, Southwest Airlines or any other airline using the Airport in the future were to file for protection under the bankruptcy law, it (or a trustee on its behalf) would have the right to seek rejection of its agreement, if any, with the Airport System, which could have a negative impact on passenger activity at the Airport, the number of persons renting motor vehicles at the Airport and the collection of the Special Motor Vehicle Rental Tax. In the event American Airlines, Southwest Airlines or any other airline discontinues or reduces its operations at the Airport its level of activity may not be replaced by other carriers. Accordingly, no assurance can be given as to the levels of aviation activity and resulting rental car activity which will be achieved.

Competition and Alternate Modes of Transportation and Communication

There are alternative forms of ground transportation at the Airport and other airports which compete with the Airport for air travelers, which could reduce the demand for renting motor vehicles at the Airport. These alternate forms which compete with rental cars include taxis, buses, shuttle services, limousines, and a proposed commuter rail project by Cap Metro. Technological improvements in communication could reduce the need for business travel.

Rental Car Companies

The projections of the Special Motor Vehicle Rental Tax revenues are dependent on the ability of the rental car companies to provide a competitive product to potential customers over the life of the Series 1999 Bonds. That ability is affected by factors beyond their control, including the cost and resale value of cars. Competitive factors have limited the profitability of rental car companies in the past several years and some companies and franchises have ceased operations or been acquired by other companies. The investors should consider the potential affects of the rental car industry as a whole upon the ability of the Special Motor Vehicle Rental Tax to assure repayment.

Limitation of Remedies

Various State laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 1999 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the City, or the rental car industry.

In the event of a default in the payment of principal of or interest on the Series 1999 Bonds, the remedies available to the Owners of the Series 1999 Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion to be delivered concurrently with delivery of the Series 1999 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See APPENDIX F hereto.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 1999 Bonds or its creation or maintenance by the initial purchasers. Thus, purchasers of Series 1999 Bonds should be prepared, if necessary, to hold their Series 1999 Bonds until their respective maturity dates.

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 principal amount of the funds disbursed, (the term includes direct security repurchase agreements and reverse security repurchase agreements and the term of any reverse repurchase agreement may not exceed 90 days after the reverse security repurchase agreement is delivered; money received by the City under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investment acquired must mature not later than the expiration date stated in the reverse security repurchase agreement); (8) certificates of deposit issued by state and national banks domiciled in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the City; (9) certificates of deposit issued by savings and loan associations domiciled in Texas that are (a) guaranteed or insured by the Federal Savings and Loan Insurance Corporation or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits of the City; (10) share certificates issued by a state or federal credit union domiciled in Texas that are (a) guaranteed or insured by the National Credit Union Share Insurance Fund or its successor; or, (b) secured by obligations that are described by 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates, or in any other manner and amount provided by law for deposits of the City; (11) SEC-regulated, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of 90 days or less and whose investment objectives include seeking to maintain a stable net asset value of $1 per share, (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 1-9b 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 opinions 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 Series 1999 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 received an underlying rating for the Series 1999 Bonds of "A-" from Standard & Poor's Rating Group. The City anticipates that Standard & Poor's Rating Group and Moody's Investors Service, Inc. 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 Financial Guaranty. 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.

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 during 1999. This testing is complete with few replacement components remaining. Emphasis is now focused on service continuity and external vendor compliance. The City's plan includes the operating and billing systems of the Utility Systems. As of October

1, 1999, 95.57% of all components (hardware, software, interfaces and embedded systems) were verified as compliant. In addition, the City is in the process of 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 Series 1999 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 financial information and operating data to be updated will be a table regarding Special Motor Vehicle Rental 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.

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.

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Additional Information

This Official Statement was approved, and the execution and delivery of this Official Statement authorized, by the City Council on October 28, 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 not 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.

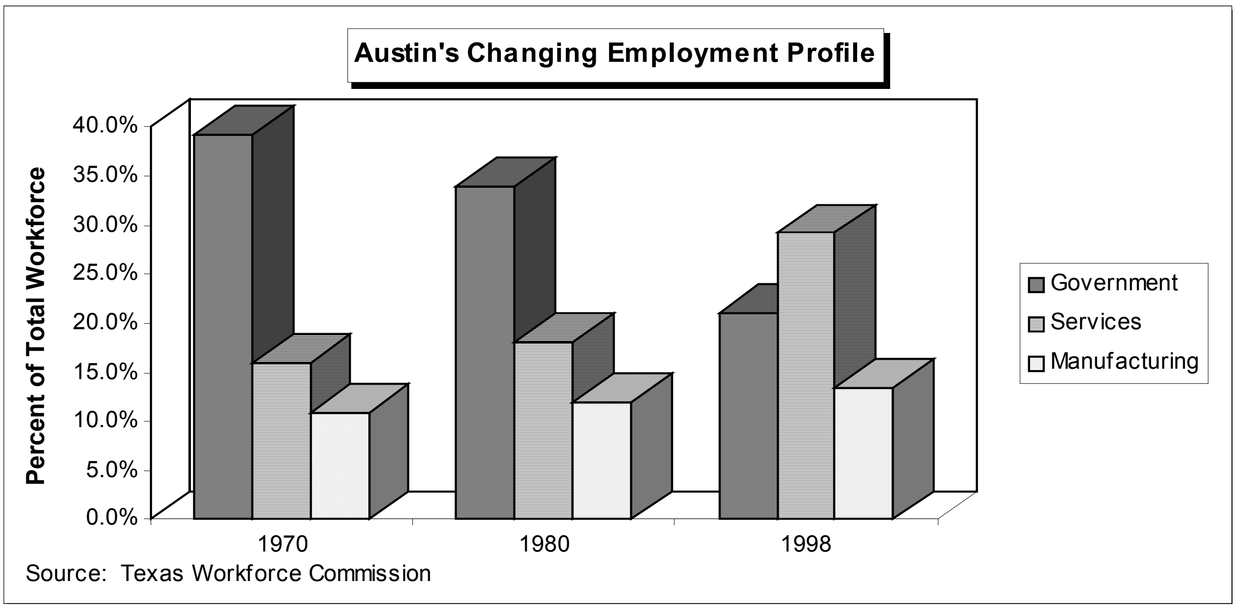
With its seven institutions of higher learning, education is a significant aspect of life in the Austin area. Access to these institutions, especially the University of Texas at Austin (UT), has attracted many of the high-technology industries that now drive most of the growth in the city's economy. 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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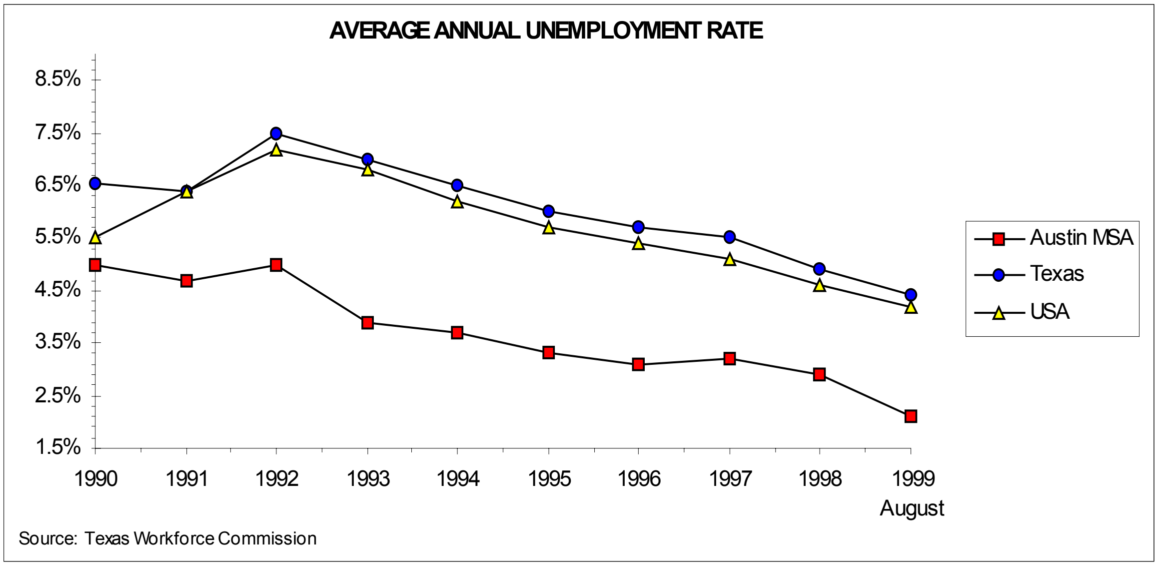
EMPLOYMENT BY INDUSTRY IN THE AUSTIN METROPOLITAN STATISTICAL AREA [(a)]

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	8 Months Ended August 31 1999 [(b)]	% of Total
Manufacturing	13,300	10.3%	71,500	13.1%	75,485	13.5%	81,871	13.8%	85,300	13.7%
Government	51,150	39.5%	130,400	23.8%	127,151	22.7%	130,036	21.9%	123,000	19.7%
Trade	26,100	20.2%	122,700	22.4%	121,548	21.8%	128,552	21.6%	138,000	22.1%
Services and Miscellaneous	19,600	15.1%	148,600	27.1%	156,173	27.9%	168,985	28.4%	185,100	29.7%
Finance, Insurance and Real Estate	6,150	4.7%	29,100	5.3%	29,083	5.2%	30,587	5.1%	33,100	5.3%
Contract Construction	8,750	6.8%	26,800	4.9%	29,954	5.4%	33,758	5.7%	36,800	5.9%
Transportation, Communications & Utilities	4,000	3.1%	17,500	3.2%	18,501	3.3%	19,451	3.3%	21,500	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%	624,100	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 August	2.1%	4.4%	4.2%

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	9-1-99	7.916
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.

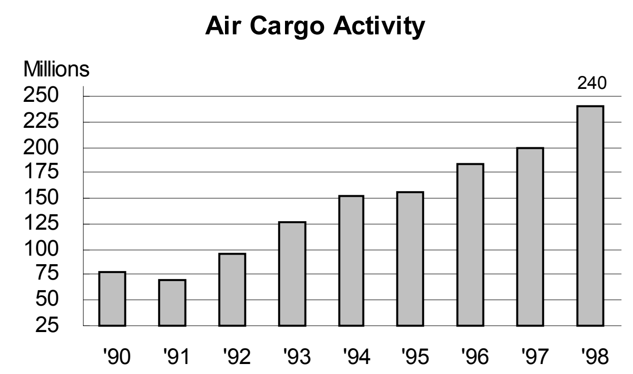
TEN LARGEST EMPLOYERS
(as of September 30, 1998)

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

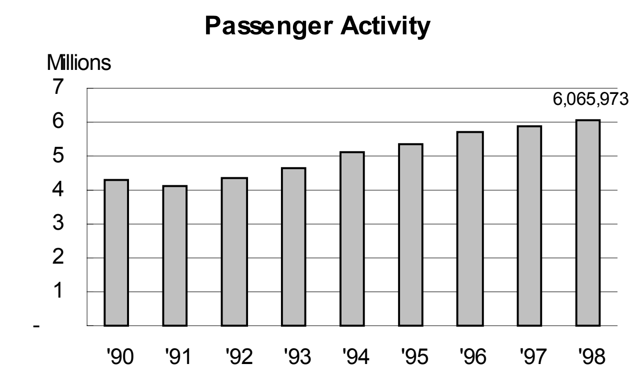
Source: 1998 Comprehensive Annual Financial Report.

Transportation

Austin-Bergstrom International Airport



Source: City of Austin Aviation Department



Source: City of Austin Aviation Department

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	15,573	2,332,558,863	149,782
1999 August	12,190	1,949,986,345	159,966

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	67,706
1995/96	73,795	68,953
1996/97	74,315	70,361
1997/98	75,693	71,241
1998/99	75,915	71,491

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

Appendix B

REPORT OF THE FINANCIAL CONSULTANT

on the proposed issuance of

CITY OF AUSTIN, TEXAS
TOWN LAKE PARK COMMUNITY EVENTS
CENTER VENUE PROJECT BONDS, SERIES 1999

Prepared for

City of Austin, Texas

Prepared by

Leigh Fisher Associates
San Francisco, California

October 12, 1999

LEIGH FISHER ASSOCIATES
Consultants to Airport Management

Post Office Box 8007
San Francisco International Airport
San Francisco, CA 94128-8007
Tel 650-571 7722
Fax 650-571 5220

October 12, 1999

Mr. Dennis Waley
Treasurer
City of Austin
800 Brazos Street, 13th Floor
Austin, Texas 78701

Re: Report of the Financial Consultant, City of Austin, Texas,
Town Lake Park Community Events Center Venue Project Bonds, Series 1999

Dear Mr. Waley:

We are pleased to submit this Report of the Financial Consultant on certain aspects of the proposed issuance by the City of Austin, Texas (the City), of 1999 Town Lake Park Community Events Center Venue Project Bonds (the 1999 Bonds), in the approximate aggregate principal amount of $40,000,000. The 1999 Bonds are being issued to finance a new community events center, with an associated park and a parking garage. The 1999 Bonds are to be secured by revenues from the proceeds of a City vehicle rental tax and other revenues as described herein.

Leigh Fisher Associates

Leigh Fisher Associates is an independent company that provides consulting and advisory services in connection with the planning, financing, management, and business operations of airports and related enterprises. The company has been in business for over 50 years and has provided services in the United States as well as other parts of the world.

Leigh Fisher Associates has provided a variety of financial and planning consulting services to the City of Austin including development of the Master Plan for Austin Bergstrom International Airport (the Airport) and preparation of independent consultant reports in connection with the financing of Airport development. In 1998, Leigh Fisher Associates assisted the City in preparing the independent consultant report in connection with the issuance of Rental Car Special Facility Revenue Bonds to finance the cost of design and construction of new rental car facilities at the Airport.

The Project

The City plans to finance a capital improvement project generally consisting of constructing a new town lake park community events center, including parkland development, parking facilities, incidental concessions and related infrastructure.

For purposes of our report, those elements of the City's project to be funded with 1999 Bonds are referred to as "the Project." The principal element of the Project is the Town Lake Community Events Center (the Events Center), a multi-purpose events building comprised of approximately 125,000 square feet. The facility is to be available and used for local public events, including concerts, sales events, trade shows, and public meetings. The Project also includes a multi-story parking garage designed for about 1,200 automobiles and to be constructed adjacent to, in the vicinity of, or as a part of the Events Center and (the Parking Garage).

An additional element of the City's project is an adjacent park, intended to be funded with a combination of City funds, private donations, and available revenues (subordinate to the payment of debt service on the 1999 Bonds). Because the park is (1) not intended to be funded with 1999 Bond proceeds, and (2) not expected to contribute revenues to be used to pay debt service, this improvement is not included in our financial analysis or in the definition of the Project.

The Project is currently in design. Construction of the Events Center is expected to begin in February 2000 and be complete in August 2001.

The Ordinance

The 1999 Bonds are to be issued pursuant to an Ordinance of the City Council (the Ordinance) to be adopted on October 28, 1999. Under the provisions of the Ordinance, the 1999 Bonds are to be payable from and secured by a pledge of and lien upon the Pledged Revenues that include all receipts from a Special Motor Vehicle Rental Tax*, Parking Garage revenues, and Events Center revenues. Subordinate to debt service are reserve accounts for debt service, repair and replacement, and operations. Funds remaining after satisfying the foregoing

---

* Since January 1999, the City has collected a Special Motor Vehicle Rental Tax, and under the Ordiance the City covenants to continue to collect this tax as long as the 1999 Bonds are outstanding.

obligations may be used for planning, construction, and operation of the Project. Except as noted otherwise capitalized terms are used as defined in the Ordinance.

Project Financing

The Project (i.e., construction of the Events Center and Parking Garage) is estimated to cost $50.0 million and to be funded principally from bond proceeds ($40.0 million), to be delivered in November 1999. Austin Energy, the City-owned electric utility, is providing $2.3 million in funding to pay for a portion of the Parking Garage that will be developed on their behalf. The remaining $7.7 million will be financed from excess revenues available for the Project in accordance with the Ordinance.

Scope of Analysis

Our study was undertaken to assess the sufficiency of the revenues generated from the Special Motor Vehicle Rental Tax in combination with other Pledged Revenues to meet the annual Debt Service Requirements of the 1999 Bonds during the Fiscal Years 2000 through 2007 (the Forecast Period). The City's Fiscal Year ends September 30.

In conducting our study, we reviewed:

- The aviation demand forecasts prepared in connection with the City of Austin's 1998 Airport System Variable Rate Revenue Notes, Series A Bonds, and the 1998 Rental Car Special Facility Revenue Bonds

- Trends in the rental car industry

- The estimated Project costs and schedule

- The plan of financing for the Project, including the estimated sources and uses of funds and the estimated annual Debt Service Requirements, as provided by Public Financial Management, Inc., the City's financial advisor, and the City

- Historical relationships between enplaned passengers and rental car activity at Austin's Mueller and Bergstrom airports

- Revenues collected from January through June 1999 from Austin's Special Motor Vehicle Rental Tax

- The City's projections of Events Center and Parking Garage revenues

- The share of the total rental car transactions that are conducted on-airport versus off-airport for markets for which information was available

- The share of rental car transactions eligible for the Special Motor Vehicle Rental Tax, when information was available, considering that some rentals (such as truck rentals and rentals exceeding 30-days) are exempt from the tax

Assumptions that provide the basis for the forecast financial results of the Project were provided by or reviewed with and adopted by the City. On the basis of these assumptions, we assembled the financial forecasts presented in the attached exhibits.

Forecast Debt Service Coverage

The following table presents forecasts of Pledged Revenues, Debt Service Requirements, and Debt Service coverage. Pledged Revenues are more than double Debt Service Requirements in every year of the Forecast Period resulting in a debt service coverage ratio of 2.3 or higher in each year. Sensitivity analyses were conducted to assess the impact of having no revenues other than tax receipts or having significantly slower demand growth. In both sensitivity scenarios, the coverage ratio exceeded 2.0 throughout the Forecast Period.

	Pledged Revenues and Other Available Funds	Debt Service Requirements *(a)*	Debt service coverage *(b)*
FY 2000 *(c)*	$4,473	$1,170	3.82
FY 2001	5,378	2,340	2.30
FY 2002	7,531	2,340	3.22
FY 2003	7,910	2,340	3.38
FY 2004	8,311	2,680	3.10
FY 2005	8,736	2,805	3.11
FY 2006	9,187	2,980	3.08
FY 2007	9,664	2,982	3.24

(a) Provided by Public Financial Management.
(b) Pledged Revenues to annual Debt Service.
(c) Partial year interest only.

LEIGH FISHER ASSOCIATES
Consultants to Airport Management

Assumptions Underlying the Financial Forecasts

Key factors and assumptions underlying the financial forecasts are set forth in the attachment “Background, Assumptions, and Rationale for the Financial Forecasts.” The attachment should be read in its entity for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the Forecast Period will vary from the forecasts, and the variations may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*   *   *   *   *

We appreciate the opportunity to serve as the Financial Consultant in connection with this financing program.

Respectfully submitted,

Leigh Fisher Associates

LEIGH FISHER ASSOCIATES

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

City of Austin
Austin, Texas

CONTENTS

LEGAL BACKGROUND

Enabling Legislation

The proposed Project will be owned by the City and financed under Chapter 334 Texas Local Government Code (the Enabling Act). For communities in Texas, the Enabling Act provides for the option to use certain taxes to support the development of community projects such as convention centers and cultural facilities. In particular, the Enabling Act provides, the City with the authority to impose a Special Motor Vehicle Rental Tax not to exceed 5.0% of gross receipts on rentals of 30 days or less initiated within the City limits.

Resolution

On November 3, 1998, City voters approved a Resolution providing for the Town Lake Community Events Center to be funded by not more than $40 million in Bonds secured by the Special Motor Vehicle Rental Tax. This tax was imposed by the City of Austin beginning January, 1999.

Ordinance

The 1999 Bonds are to be to issued pursuant to a City Ordinance (referred to hereafter as the Ordinance) to be adopted on October 28, 1999. The proceeds of such Bonds are expected be delivered in November 1999. The Ordinance specifies the application of revenues to pay 1999 Bonds debt service and meet other obligations, as briefly described in the section that follows. Except as noted otherwise, capitalized terms in this report are as defined in the Ordinance.

FINANCIAL FRAMEWORK

Venue Project Fund

Under the Ordinance, the Venue Project Fund is established for the Project, and contains subaccounts for deposits of Pledged Revenues, payments of debt service and other obligations.

Pledged Revenues

Under the Ordinance, Pledged Revenues are, collectively, (1) revenues received from the Special Motor Vehicle Rental Tax, (2) Parking Revenues, (3) Events Center Revenues, (4) interest and other income realized from investment of amounts on deposit in the funds and, and (5) any additional revenue, receipts or income pledged to the 1999 Bonds. Such Pledged Revenues are pledged to the payment of debt service on the 1999 Bonds issued to finance the Project and any authorized Additional Bonds. With the exception of refunding bonds, the City has covenanted not to issue any additional parity bonds secured by the Pledged Revenues.

Flow of Funds

The Ordinance specifies the application of Pledged Revenues to the subaccounts of the Venue Project Fund.

The first priority for the use of Pledged Revenues is the payment of debt service on the 1999 Bonds and any authorized Additional Bonds.

Following the payment of debt service, Pledged Revenues are to be applied to certain reserve and operating subaccounts.

The Ordinance allows for the excess revenues in the Venue Project Fund to be used for any lawful purpose after the annual debt service, operating, and reserve account requirements are met. The Enabling Legislation permits the use of such excess funds to develop and construct an approved venue project and to pay for its operation and maintenance.

The City plans to use excess revenues in the Venue Project Fund to help pay the costs of construction of the Events Center, the Parking Garage, and the adjacent park, as well as to fund certain operation and maintenance expenses.

PROJECT FINANCING

Sources and Uses of Funds

The Project (i.e., construction of the Events Center and Parking Garage) is estimated to cost $49.2 million to construct, with an additional $0.8 million in financing costs, as shown on Exhibit 1.

The principal source of funds for the Project is the $40.0 million bond issue. An additional $2.3 million will be provided from Austin Energy, the City-owned electric utility to pay for additional construction in the garage needed to accommodate the utility's requirements. The remaining $7.7 million will be provided from excess revenues in the Venue Project Fund available after the payment of debt service and other costs.

Estimated Annual Debt Service

Payments of interest only are to be made through May 15, 2003. Principal and interest payments would begin November 15, 2003, and continue through November 15, 2029. Annual Debt Service—principal and interest—on the 1999 Bonds is estimated to increase from about $1.2 million in 2000 to about $3.0 million in 2006, and is estimated to be about $3.0 million each year thereafter. The estimated annual Debt Service was provided by Public Financial Management.

THE RENTAL CAR INDUSTRY

The primary source of revenue is the Special Motor Vehicle Rental Tax. The following sections present general information and recent trends in the rental car industry used as input to the analyses and forecasts of rental car tax revenue.

General Information

The rental car industry consists of three major market segments: the business market, the leisure market, and the insurance replacement/local market. All of the large rental car companies participate in each of these markets; however, most companies focus on only one of these market segments.

The business market is characterized by corporate contracts at rates that are negotiated annually. As a result of these annual corporate contracts, prices tend to be more rigid in the business market than in other market segments. The business market is composed of business travelers who typically rent vehicles at an airport under a contract negotiated by their employer. Hertz is the industry leader in serving the business market.

The leisure market has more flexible prices and caters to travelers on vacation. The leisure market, like the business market, is typically made up of on-airport renters. Most of the income from this market segment is generated at locations with strong tourism industries. In fact, about three-quarters of the revenue from this market is currently produced in just five states: Florida, Hawaii, Arizona, California, and Colorado. Hertz has the largest share of the leisure market; however, Hertz has a significantly smaller lead in the leisure market than in the business market.

The replacement/local market consists of off-airport renters who typically rent cars while their own vehicles are being repaired or replaced. The local market segment has had higher profits recently, attributed in part to the lower costs of operating at off-airport locations. This is the fastest growing industry segment and is led by Enterprise.

Recent Industry Trends

The auto rental industry has experienced substantial growth over recent years. Annual revenue for 1998 was $17.2 billion, a 10% increase from the $15.6 billion in revenue generated in 1997. The industry has grown at an average of 8.6% per year through the 1990s and has had annual growth of 11.6% since 1985. Industry experts predict that this trend of rapid growth will continue, fueled substantially by the expansion of the local/replacement market segment.

Dramatic changes in ownership have occurred in the auto rental industry since 1995. This is in large part due to the actions of the major U.S. automakers. Historically, the largest U.S. automakers (Ford, GM, and Chrysler) owned several of the rental car companies and utilized the rental car fleets as outlets for excess automobile production. As the U.S. economy improved in the mid-1990s, auto sales escalated and the need to dispose of unsold vehicles diminished. The automakers realized that with their strong auto sales and increased profitability, control of the rental car companies was not as crucial as it was in the past. As a result, in the mid and late 1990s several of the rental car companies were sold and began operating independently of the major automakers. The new autonomy has contributed to the current strength of the industry, as the independent rental car companies are focused on their own profitability, rather than the broader objectives of the automakers.

The rental car industry has also undergone a trend of consolidation. Republic Industries acquired Alamo and National in 1996 and 1997, respectively. However, both car rental companies are being sold again and the outcome on the industry is yet to be determined. Dollar and Thrifty merged to form the Dollar Thrifty Automotive Group. Additionally, other companies such as Budget have bought back franchises in recent years. The trend of consolidation has resulted in improved gains in efficiency through centralization of computer resources and fleet management.

The recent ownership changes of car rental companies have helped industry leaders Avis and Hertz successfully increase their car rental rates. Other companies have followed the lead of Avis and Hertz, and the industry as a whole is estimated to have increased prices between 4% and 5% from 1997 to 1998. The most significant increase was in the leisure market, where rates increased between 7% and 8% from 1997 to 1998. The business rates increased between 2% and 3% during this time period. The slower rate increases in the business market are primarily due to the fact that price increases for negotiated corporate contracts typically occur only annually.

According to Auto Rental News, total rental car revenue nationwide increased about 10% in 1998, indicating that, despite the higher rental rates, there has continued to be strong demand for these vehicles. In addition to the growth in revenue that the industry has experienced, fleet size has consistently increased over recent years. An estimated 44,000 vehicles were added to the U.S. rental car fleet in 1998, and the size of the U.S. rental car fleet has increased every year in the 1990s. This augmentation of the rental car fleet is a further indication that the recent rate hikes have not reduced consumer demand.

Key Factors Affecting Future Rental Car Activity

Key factors that will affect future rental car activity are described below. Specific assumptions used in preparing forecasts of rental car revenue in Austin are described in the next section, "Forecast Revenues."

National Economic Conditions. Nationwide travel growth, and therefore demand in related industries such as the rental car industry, has historically correlated closely with the state of the U.S. economy and levels of real disposable income. Sustained future growth in nationwide travel will depend largely on the ability of the nation to sustain economic growth.

Airline Industry Conditions. As described in this report, the majority of the rental car activity in the City of Austin is conducted at the Airport, and therefore related to trends in airline passenger traffic.

Airline industry conditions that will affect the number of passengers using the Airport include:

1. Decisions by airlines to increase or decrease service
2. Availability and price of aviation fuel
3. Airline competition and airfares

Car Rental Industry Condition. As described earlier, there has recently been a trend of consolidation in the car rental industry. Future consolidation or other changes in the structure of the car rental industry could affect services, prices, and levels of activity. The potential development of competing modes of transportation such as mass transit could also affect the car rental industry.

FORECAST REVENUES

Rental Car Activity and Total Receipts

The majority of the rental car activity in Austin is conducted on-airport, and is related to the passengers using the Airport. Data on historic passenger levels and on-airport car rental revenue were provided by the City.

The key assumptions used in preparing the forecasts of rental car activity and gross receipts presented on Exhibit 2 are described below.

Airport Enplaned Passengers. It was assumed that the number of enplaned passengers at the Airport would increase at an annual rate of 4.0% during the Forecast Period. This is consistent with the forecast growth rate used in connection with the most recent Airport-related bond issuances (1998 Variable Rate Notes and 1998 Rental Car Special Facility Revenue Bonds).

Gross On-Airport Receipts. It was assumed that there would be no significant change in the propensity to rent cars, and that therefore the on-Airport rental activity (in terms of number of transactions) would increase at the same rate as enplaned passengers, or 4.0% per year. It was also assumed that average rental rates would increase with inflation, assumed to be about 2.5% per year. In combination, these assumptions result in a forecast growth rate of 6.5% per year for on-Airport rental car receipts.

Gross Off-Airport Receipts. It was assumed that approximately 69% of total rental car gross receipts in the City of Austin would be generated on-Airport, with the remaining 31% generated off-Airport, based on actual data collected from January 1999 to June 1999. Thus, it was assumed that there would be no significant change in the distribution of on-Airport and off-Airport rental car activity.

Rental Car Tax Revenues

From January through June 1999, the City of Austin collected $2.2 million in revenues from the Special Motor Vehicle Rental Tax. Adjusted for seasonality, this represents about $4.2 million in annual revenue. The tax revenues are projected to grow at the same rate as rental car tax receipts, estimated to be 6.5% per year. At this rate, tax receipts are projected at $4.5 million in Fiscal Year 2000, rising to $7.0 million in Fiscal Year 2007. The forecast of tax revenue receipts is presented in Exhibit 3.

Other Revenues

Events Center revenue was projected by the City's Convention Center staff, based principally on revenue at the existing civic center, and escalated by 2% annually. Parking revenue was projected by the City based on estimated Parking Garage usage by different market segments (day use versus event use), observed demand for existing events, and prices for comparable parking facilities.

In the Ordinance, the City covenants to adopt and approve an annual budget for the Parking Garage and Events Center that identifies and provides for revenues from the Special Motor Vehicle Rental Tax, the Parking Garage, and the Events Center sufficient to pay for the operation and maintenance costs of these facilities, considering the other required uses of Pledged Revenue (e.g., annual debt service).

DEBT SERVICE COVERAGE

The forecast Pledged Revenues are presented in Exhibit 4. The resulting debt service coverage exceeds 2.3 in each year of the Forecast Period, and remains above 3.0 in each year beginning FY 2002.

SENSITIVITY ANALYSES

We considered two "sensitivity" alternatives to assess downside risk. The first is that no Project operating revenues are generated and, therefore, the Special Motor Vehicle Rental Tax is the only source of funding to pay debt service. The second is that the market demand is less than forecast. Exhibit 5 presents these results.

Scenario 1—No Non-Tax Revenues. In this case, the only revenues generated are the tax receipts. The debt service coverage ratio exceeds 2.0 in each year of the Forecast Period.

Scenario 2—Slower Growth. The projections described in this report assume a 6.5% annual growth in tax receipts based on 4.0% demand growth, largely airline passenger driven, and includes 2.5% price inflation. This slow growth alternative eliminates the demand growth, and applies only 2.5% annual growth in car rental receipts and, therefore, revenue from the Special Motor Vehicle Rental Tax. In this case, debt service coverage exceeds 2.1 in each year of the Forecast Period.

Exhibit 1
Sources and Uses of Funds
Project Financing
In Thousands of Dollars

Sources of Funds:	
Par Amount of Bonds	$40,000
Austin Energy	2,300
Venue Project Funds	7,700
Total Sources of Funds	$50,000
Uses of Funds:	
Venue Project Construction	$49,200
Cost of Issuance	800
Total Uses of Funds	$50,000

Source: Public Financial Management, August 25, 1999.

Exhibit 2
Historical and Forecast Rental Car Activity and Gross Revenue
City of Austin
In Fiscal Years Ending September 30, Passengers and Dollars in Thousands

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided.
Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur.
Therefore, there are likely to be differences between the forecast and actual results, and those differences may be substantial.

		Historical		Estimated (d)								
	Notes	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Enplaned Passengers	(a)	2,949	3,002	3,152	3,278	3,409	3,545	3,687	3,835	3,989	4,149	4,315
Annual increase		5.7%	1.8%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Gross on-airport receipts	(b)	$46,521	$54,575	$58,596	$62,394	$66,447	$70,759	$75,363	$80,272	$85,502	$91,060	$96,979
Annual increase		n.a.	17.3%	7.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Estimated off-airport receipts	(c)	$21,053	$24,698	$26,517	$28,236	$30,071	$32,022	$34,105	$36,327	$38,694	$41,209	$43,888
Rental Car Gross Revenue		$67,575	$79,273	$85,113	$90,630	$96,518	$102,782	$109,468	$116,599	$124,196	$132,269	$140,866

(a) Data for 1997, 1998 and 1999 provided by City of Austin Department of Aviation.
(b) City of Austin Department of Aviation (July 1996 - June 1999). Projections based on enplaned passenger growth and inflation.
(c) Based on estimate that 31% of rental car revenue is off-airport.
(d) 1999 are projected based on existing data for the first three quarters.

Exhibit 3
Historical and Forecast Rental Car Tax Receipts
City of Austin
In Fiscal Years Ending September 30, In Thousands of Dollars

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided. Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be substantial.

		Historical		Estimated	Annualized								
	Notes	1997	1998	1999	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Rental Car Revenue	(a)	$67,575	$79,273	$85,113	$85,113	$90,630	$96,518	$102,782	$109,468	$116,599	$124,196	$132,269	$140,866
Annual Growth		n.a.	n.a.	n.a.	n.a.	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Tax Receipts		n.a.	n.a.	$2,160 (b)	$4,200 (c)	$4,473	$4,764	$5,074	$5,404	$5,755	$6,129	$6,527	$6,952
Annual Growth		n.a.	n.a.	n.a.	n.a.	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Tax Receipts as a Share of Revenue	(d)	n.a.	n.a.	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%

(a) See Exhibit 2.
(b) Actual Collections January - June 1999. Source: City of Austin.
(c) Calculated based on year to date actuals and seasonal patterns used to estimate the remainder of 1999.
(d) Less than 5% due to exemptions.

Exhibit 4
Forecast Pledged Revenues and Debt Service Coverage
In Fiscal Years Ending September 30, In Thousands of Dollars

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided. Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be substantial.

	Notes	Estimated 1999	2000	2001	2002	2003	2004	2005	2006	2007
Tax Revenues	**(a)**	$2,160	$4,473	$4,764	$5,074	$5,404	$5,755	$6,129	$6,527	$6,952
Civic Center Revenues	**(b)**	$0	$0	$464	$1,857	$1,894	$1,932	$1,971	$2,010	$2,050
Parking Garage Revenues	**(b)**	$0	$0	$150	$600	$612	$624	$637	$649	$662
Other Revenues	**(b)**	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Pledged Revenues		$2,160	$4,473	$5,378	$7,531	$7,910	$8,311	$8,736	$9,187	$9,664
Annual Debt Service Requirements	**(c)**	$0	$1,170	$2,340	$2,340	$2,340	$2,680	$2,805	$2,980	$2,982
Pledged Revenues to Annual Debt Service		n.a.	3.82	2.30	3.22	3.38	3.10	3.11	3.08	3.24
Pledged Revenues to Maximum Annual Debt Service		n.a.	1.50	1.80	2.53	2.65	2.79	2.93	3.08	3.24

(a) See Exhibit 3
(b) City of Austin
(c) Public Financial Management, September 20, 1999.

Exhibit 5
Sensitivity Analysis
In Fiscal Years Ending September 30, In Thousands of Dollars

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided. Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be substantial.

	Notes	Annualized 1999	2000	2001	2002	2003	2004	2005	2006	2007
Annual Debt Service Requirement	(a)	$0	$1,170	$2,340	$2,340	$2,340	$2,680	$2,805	$2,980	$2,982
Scenario 1	(b)									
Tax Receipts Only		$4,200	$4,473	$4,764	$5,074	$5,404	$5,755	$6,129	$6,527	$6,952
Tax Revenue to Debt Service Ratio		n.a.	3.82	2.04	2.17	2.31	2.15	2.19	2.19	2.33
Scenario 2										
Pledged Revenues	(c)	$4,200	$4,305	$5,027	$6,980	$7,143	$7,309	$7,478	$7,652	$7,830
Pledged Revenues to Debt Service Ratio		n.a.	3.68	2.15	2.98	3.05	2.73	2.67	2.57	2.63

(a) Public Financial Management, September 20, 1999.
(b) Scenario 1: Tax Receipts only are pledged, other project receipts not included.
(c) Scenario 2: Assumes that only growth in tax receipts is from 2.5% inflation.

APPENDIX C

SELECTED DEFINITIONS

Additional Bonds - the additional parity revenue bonds permitted to be issued by the City pursuant to the Ordinance.

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

Bonds - the "CITY OF AUSTIN, TEXAS TOWN LAKE PARK COMMUNITY EVENTS CENTER VENUE PROJECT BONDS, SERIES 1999", dated November 15, 1999, authorized by the Ordinance

City - the City of Austin, Texas, and, where appropriate, the City Council thereof, or any successor thereto.

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 Bonds then Outstanding which will become due and owing during such Bond Year.

Events Center Revenues -all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to the Town Lake Community Events Center, or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Town Lake Community Events Center, or otherwise, including all rentals, rates, fees and other charges for the use of the Town Lake Community Events Center, or for any service rendered by the City in the operation thereof, but expressly excluding: (i) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor; (ii) insurance proceeds other than loss of use or business interruption insurance proceeds; and (iii) sales and other taxes collected by the Town Lake Community Events Center on behalf of the State of Texas and any other taxing entities.

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

Government Obligations - direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and United States Treasury obligations such as its State and Local Government Series in book-entry form.

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

Operation and Maintenance Expenses - all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Parking Garage and Town Lake Community Events Center, including, without limitation, those reasonably allocated City overhead expenses relating to their administration, operation and maintenance; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of such direct City services as are reasonably necessary for the operation of the Parking Garage or Town Lake Community Events Center; utility costs; and all other administrative, general and commercial expenses, but excluding: (i) any allowance for depreciation;(ii) costs of capital improvements; and (iii) liabilities based upon the City's negligence or other ground not based on contract.

Operating Reserve- the six month reserve amount to be accumulated and maintained in the Operating Account in accordance with the Ordinance.

Ordinance - this Ordinance No. 991028-88 and all amendments hereof and supplements hereto.

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

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

Parking Revenues - all income and revenues derived directly or indirectly by the City from the operation and ownership of the Parking Garage, or any part thereof, including all rentals, rates, fees and other charges for the use of the Parking Garage, or for any service rendered by the City in the operation thereof, but expressly excluding: (i) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor;(ii) insurance proceeds other than loss of use or business interruption insurance proceeds; and (iii) sales and other taxes collected by the Parking Garage on behalf of the State of Texas and any other taxing entities.

Parking Garage - the multi-story parking garage facility constructed adjacent to, in the vicinity of, or as a part of the Town Lake Community Events Center for approximately 1,200 automobiles.

Parity Revenue Bonds - the Bonds and Additional Bonds permitted to be issued by the City pursuant to the Ordinance.

Pledged Revenues - collectively, (i) the revenues received from the Special Motor Vehicle Rental Tax deposited to the credit of the Venue Project Fund , (ii) Parking Revenues deposited to the credit of the Venue Project Fund, (iii) Events Center Revenues deposited to the credit of the Venue Project Fund, (iv) interest and other income realized from the investment of amounts on deposit in the funds and accounts created by this Ordinance to the extent such interest and other income are required to be transferred or credited to the Venue Project Fund, and (v) any additional revenue, receipts or income hereafter pledged to the Bonds in accordance with the Ordinance.

Reserve Fund Requirement - the amount required to be maintained in the Debt Service Reserve Account. Such amount shall be the lesser of (i) 10% of the principal amount or (ii) the maximum annual Debt Service Requirement scheduled to occur in the then current and each future Fiscal Year for all Parity Revenue Bonds then 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 initially be funded with a Reserve Fund Surety Policy.

Special Motor Vehicle Rental Tax - the 5% motor vehicle rental tax approved at the election held November 3, 1998 to finance the Town Lake Park Community Events Center Venue Project and imposed by the City pursuant to Ordinance No.981210-A, adopted by the City Council of the City on December 10, 1998, on the gross rental receipts from the rental in the City of a motor vehicle, as authorized by subchapter E of Chapter 334 of the Local Government Code and the aforesaid election.

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

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 Bonds to satisfy any part of the Reserve Fund Requirement as provided in the Ordinance.

Town Lake Community Events Center - the multi-purpose events building to be constructed with the proceeds of sale of the Bonds, which center is to be located at the corner of Barton Springs Road and South First Street and comprised of approximately 125,000 square feet, to be available and used for local public events including concerts, sales events, trade shows, and public meetings, and the support areas for building operations, lobbies, concessions, restrooms and mechanical and electrical equipment, and any additions or improvements to such building.

Town Lake Park Community Events Center Venue Project - the capital improvement project described generally of consisting of constructing a new Town Lake Park Community Events Center, including parkland development and constructing parking facilities, incidental concessions compatible with the use of the facility, 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 on November 3, 1998, and designated by Resolution No. 980902-017.

Venue Project Fund - the Fund so designated created and established pursuant to Ordinance No.981210-A, adopted by the City Council on December 10, 1998, providing for the levy, assessment and collection of the Special Motor Vehicle Rental Tax.

APPENDIX D

FORM OF BOND COUNSEL OPINION

[LETTERHEAD OF BOND COUNSEL]

IN REGARD to the authorization and issuance of the "City of Austin, Texas, Town Lake Park Community Events Center Venue Project Bonds, Series 1999" (the "Bonds"), dated November 15, 1999 (the "Bond Date"), in the principal amount of $40,000,000, 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 2025 and 2029, unless redeemed prior to maturity in accordance with the optional or mandatory 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 and pledge of the Pledged Revenues (as defined in the Ordinance), including the receipts from the collection of a Special Motor Vehicle Rental Tax (as defined in the Ordinance), 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.

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

THE CITY'S AUDITED FINANCIAL STATEMENT FOR
THE YEAR ENDED SEPTEMBER 30, 1998

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

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year ended September 30, 1998
With comparative totals for year ended September 30, 1997

CITY OF AUSTIN, TEXAS
Exhibit A-5

	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)			Water and Wastewater (2)		
	Principal	Interest	Total	Principal	Interest	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			Airport		
	Principal	Interest	Total	Principal	Interest	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			Drainage		
	Principal	Interest	Total	Principal	Interest	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			Golf		
	Principal	Interest	Total	Principal	Interest	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			Support Services		
	Principal	Interest	Total	Principal	Interest	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	Interest	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 MUNICIPAL BOND NEW ISSUE INSURANCE POLICY AND FORM OF MUNICIPAL BOND DEBT SERVICE RESERVE FUND POLICY