OFFICIAL STATEMENT DATED AUGUST 23, 2012

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

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel ("Bond Counsel"), interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

$16,735,000
MUELLER LOCAL GOVERNMENT CORPORATION
(A not-for-profit local government corporation acting on behalf of the City of Austin, Texas)
Tax Increment Contract Revenue Bonds, Series 2012

Dated: August 15, 2012 — Due: September 1, as shown below

Interest on the $16,735,000 Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2012 (the "Bonds"), will accrue from the dated date as shown above and will be payable on March 1, 2013, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest will be calculated on the basis of a 360–day year consisting of twelve 30–day months. The Mueller Local Government Corporation (the "Corporation") intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "BOND INFORMATION – Book-Entry-Only System").

The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the Corporation on August 23, 2012, authorizing the issuance of the Bonds and an Indenture of Trust, dated as of September 1, 2009 (the "Indenture"), by and between the Corporation and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"). The Bonds are payable solely from the "Trust Estate" (as defined in the Indenture), which consists primarily of the "Pledged Revenues" as hereinafter defined, which Pledged Revenues include tax increment revenues generated from taxation of real property within the boundaries of Tax Increment Reinvestment Zone Number Sixteen, City of Austin, Texas (the "Zone") from taxing units participating in the Zone. Under the terms of the Indenture, the Trustee will make funds available to Deutsche Bank National Trust Company, Jersey City, New Jersey (the "Paying Agent/Registrar") on or before the date principal of and/or interest on the Bonds is due and payable. Currently, only the City of Austin, Texas (the "City") participates in the Zone by contributing 100% of its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone. The tax increment revenues of the City will be contributed by the City to the Corporation pursuant to the terms of a Tri-Party Agreement among the City, the Corporation and the Zone, dated as of September 1, 2009 (the "Tri-Party Agreement"). In addition, the City has entered into a grant agreement with the Corporation, effective as of September 8, 2009, pursuant to which the City may make available grant funds, subject to annual appropriation from available monies in the City's general fund, in amounts sufficient to pay debt service on the Bonds should Pledged Revenues be insufficient to allow the Corporation to meet its debt service obligation. GRANT PAYMENTS, IF ANY, MADE BY THE CITY SHALL BE TREATED AS A CURRENT EXPENSE, PAYABLE SOLELY FROM FUNDS TO BE ANNUALLY APPROPRIATED BY THE CITY FOR SUCH USE. THE BONDS ARE A LIMITED OBLIGATION OF THE CORPORATION, PAYABLE SOLELY OUT OF THE TRUST ESTATE, WHICH IS THE SOLE ASSET OF THE CORPORATION PLEDGED THEREFOR. The Bonds are being issued to provide funds for certain public infrastructure improvements within the Zone and to pay costs of issuance. The Bonds are "Additional Parity Bonds" as defined in the Indenture, and constitute the second series of Parity Bonds issued by the Corporation under the authority granted by the Indenture (see "SECURITY AND SOURCE OF PAYMENT – Authority for Issuance").

The Corporation was established by the City under the provisions of Chapter 431, Texas Transportation Code, and the general laws of the State of Texas, to aid, assist, and act on behalf of the City in the performance of the City's governmental functions and to provide a means of financing certain project costs in connection with the Zone. The Zone was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act") to facilitate development of the land within the boundaries of the Zone, a parcel containing approximately 700 acres located entirely within the City.

MATURITY SCHEDULE

CUSIP Prefix: 624757

Maturity (September 1)	Amount	Interest Rate	Initial Yield	CUSIP	Maturity (September 1)	Amount	Interest Rate	Initial Yield	CUSIP
2013	$350,000	2.000%	0.400%	BH2	2023	$ 675,000	2.625%	2.750%	BT6
2014	520,000	2.000%	0.570%	BJ8	2024	690,000	3.000%	2.900% (1)	BU3
2015	540,000	2.000%	0.720%	BK5	2025	705,000	3.000%	3.100%	BV1
2016	550,000	2.000%	0.900%	BL3	2026	725,000	3.000%	3.170%	BW9
2017	565,000	2.000%	1.150%	BM1	2027	745,000	3.125%	3.240%	BX7
2018	580,000	2.000%	1.480%	BN9	2028	760,000	3.125%	3.300%	BY5
2019	595,000	2.000%	1.800%	BP4	2029	785,000	3.200%	3.370%	BZ2
2020	615,000	3.000%	2.100%	BQ2	2030	1,955,000	3.250%	3.430%	CA6
2021	630,000	3.000%	2.350%	BR0	2031	2,015,000	3.300%	3.490%	CB4
2022	650,000	3.000%	2.500%	BS8	2032	2,085,000	3.375%	3.550%	CC2

(1) Yield calculated based upon assumption that the Bonds maturing on September 1, 2024 will be called on first optional call date at a price of par plus accrued interest to the date of redemption (September 1, 2022).

Stifel, Nicolaus & Company, Incorporated — **Loop Capital Markets**

The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2023, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on September 1, 2022, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "BOND INFORMATION – Optional Redemption").

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. The opinion of Bond Counsel will be printed on or attached to the Bonds (see APPENDIX E – "Form of Bond Counsel's Opinion"). Certain legal matters will be passed on for the Underwriters by their counsel, Bracewell & Giuliani LLP, Austin, Texas.

It is expected that the Bonds will be delivered through the facilities of DTC on or about October 4, 2012.

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

Page

CITY OF AUSTIN/MUELLER LOCAL GOVERNMENT CORPORATION
- Elected Officials v
- Appointed Officials v

SELECTED DATA FROM THE OFFICIAL STATEMENT vi

INTRODUCTION 1

SECURITY AND SOURCE OF PAYMENT 1
- Authority for Issuance 1
- Security for the Bonds 1
- Tax Increment Fund 2
- Historical Assessed Valuation Applicable to the Zone 2
- Top Ten Taxpayers in the Zone (Certified Tax Roll) 3

Projected Revenue Adequacy for the Parity Bonds ... 3
The Grant Program and the Grant Agreement ... 3
The Tri Party Agreement ... 4
Pledged Revenues; Pledged Revenue Fund ... 5
Debt Service Fund ... 5
Public Improvements Fund ... 6
Additional Parity Bonds ... 6

INVESTMENT CONSIDERATIONS ... 6
Nonappropriation ... 6
Other Obligations of the City ... 6
Project Development ... 7
Change in State Law Affecting City Economic Development Program ... 7
Forward-Looking Statements ... 7

BOND INFORMATION ... 7
General ... 7
Optional Redemption ... 8
Notice of Redemption ... 8
Defeasance of Bonds ... 8
Book-Entry-Only System ... 9
Paying Agent/Registrar ... 10
Transfer, Exchange and Registration ... 10
Limitation on Transfer of Bonds Called for Redemption ... 11
Events of Default ... 11
Bondholder Remedies ... 11
Registered Owners' Remedies After Default ... 11
Bankruptcy Limitation to Registered Owners' Rights ... 12
Future Debt ... 12
Marketability of the Bonds ... 12
Continuing Compliance with Certain Covenants ... 12

THE CORPORATION AND THE ZONE ... 12
The Corporation ... 12
Reinvestment Zone Sixteen ... 12
Mueller Local Government Corporation Debt Service Requirements ... 13
General ... 13
Project Status ... 15
Retail Description ... 15

THE MASTER DEVELOPMENT AGREEMENT ... 16

THE DEVELOPER ... 16
Catellus Austin, LLC ... 16
Catellus Acquisition Company, LLC ... 16
TPG Capital ... 16

SELECTED INFORMATION FOR THE CITY OF AUSTIN, TEXAS ... 17

GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE ... 17

CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES ... 18
Municipal Sales Tax ... 18
Transfers From Utility Funds ... 18

TAX INFORMATION ... 19
Ad Valorem Tax Law ... 19
Tax Valuation ... 21
Statement of Debt ... 22

Revenue Debt 23
Obligations Subject to Annual Appropriation 23
Valuation and Funded Debt History 24
Tax Rate, Levy and Collection History 24
Ten Largest Taxpayers 25
Property Tax Rate Distribution 25
Net Taxable Assessed Valuations, Tax Levies and Collections 26
Tax Rate Limitation 27

DEBT INFORMATION 28
Debt Service Requirements 28
Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes 29
Authorized General Obligation Bonds 30
Anticipated Issuance of General Obligation Bonds 30
Funded Debt Limitation 30

INVESTMENTS 30
Legal Investments 30
Investment Policies 32
Additional Provisions 32
Current Investments 32

CONTINUING DISCLOSURE OF INFORMATION 33
Annual Reports 33
Notice of Certain Events 33
Availability of Information 34
Limitations and Amendments 34
Compliance with Prior Undertakings 34

TAX MATTERS 35
Opinion 35
Federal Income Tax Accounting Treatment of Original Issue Discount 35
Collateral Federal Income Tax Consequences 36
State, Local and Foreign Taxes 37
Future and Proposed Legislation 37

OTHER RELEVANT INFORMATION 37
Ratings 37
Litigation 37
Registration and Qualification 37
Legal Investments and Eligibility to Secure Public Funds in Texas 38
Legal Opinions and No-Litigation Certificate 38
Financial Advisor 38
Independent Auditors 39
Underwriting 39
Authenticity of Financial Data and Other Information 39

APPENDICES
General Information Regarding the City .... APPENDIX A
Annual Financial Report .... APPENDIX B
Bond Resolution .... APPENDIX C
Summary of Certain Provisions of the Indenture .... APPENDIX D
Form of Bond Counsel's Opinion .... APPENDIX E

CITY OF AUSTIN/MUELLER LOCAL GOVERNMENT CORPORATION*

Elected Officials

		Term Expires June 15
Lee Leffingwell	Mayor	2015
Chris Riley	Councilmember Place 1	2014
Mike Martinez	Councilmember Place 2	2015
Kathryne B. Tovo	Councilmember Place 3	2014
Laura Morrison	Councilmember Place 4	2014
William Spelman	Councilmember Place 5	2015
Sheryl Cole, Mayor Pro Tem	Councilmember Place 6	2015

Appointed Officials

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

*The Austin City Council acts as the Board of Directors of the Corporation; and members of the City staff serve as officers of the Corporation. Marc A. Ott serves as President and Kevin Johns, Director of Economic Growth and Redevelopment Services Office, serves as Secretary.

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

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

FINANCIAL ADVISOR
Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Austin, Texas

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

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

The Corporation .... The Mueller Local Government Corporation (the "Corporation") is a non-profit local government corporation created by the City of Austin, Texas (the "City"), a political subdivision located in Travis, Williamson and Hays Counties, operating as a home–rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended, to aid, assist and act on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City, including, without limitation, the development of the geographic area included or to be included in Reinvestment Zone Number Sixteen, City of Austin, Texas, a tax increment reinvestment zone created by the City (the "Zone"), and neighboring areas, for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development. The Zone is approximately 700 acres in area (see "THE CORPORATION AND THE ZONE").

The Zone.............................. On December 16, 2004, the City Council adopted the Creation Ordinance which established the Zone which encompasses the Mueller area. The Zone includes approximately 700 acres which will be developed as an urban in-fill mixed-used project with extensive amenities including open space, parks, trails, greenways and ball fields. The development will include an array of residential housing options ranging from owner-occupied single family housing to apartments to live-work shop houses. Inclusion of affordable housing is also a key component of the residential development. Commercial uses will include office, retail, and a children's hospital.

The Bonds .... The Bonds are being issued in the principal amount of $16,735,000 pursuant to the general laws of the State of Texas, particularly Subchapter D, Chapter 431, Texas Government Code, a resolution passed by the Board of Directors of the Corporation on August 23, 2012, and the terms of an Indenture of Trust between the Corporation and Deutsche Bank Trust Company Americas, dated as of September 1, 2009 (the "Indenture"). The Bonds are being issued to provide funds for certain public infrastructure improvements within the Zone and to pay costs of issuance.

Security................................. The Bonds, together with the outstanding Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2009, originally issued in the aggregate principal amount of $15,000,000 (the "Series 2009 Bonds"), are secured by a first lien on and pledge of the "Trust Estate" (as defined in the Indenture), which consists primarily of the "Pledged Revenues", which Pledged Revenues include tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone. Currently, only the City participates in the Zone by contributing 100% of its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone. The tax increment revenues of the City will be contributed by the City to the Corporation pursuant to the terms of a Tri-Party Agreement among the City, the Corporation and the Zone, dated as of September 1, 2009 (the "Tri-Party Agreement"). In addition, the City has entered into a grant agreement with the Corporation, effective as of September 8, 2009, pursuant to which the City may make available grant funds, subject to annual appropriation from available monies in the general fund of the City, in amounts sufficient to pay debt service on the Bonds should Pledged Revenues be insufficient to allow the Corporation to meet its debt service obligation. The City is under no obligation to make grant payments.

Redemption of Bonds .... The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2023, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2022, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "BOND INFORMATION – Optional Redemption").

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

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

OFFICIAL STATEMENT

Relating to

$16,735,000
MUELLER LOCAL GOVERNMENT CORPORATION
(A not-for-profit local government corporation acting on behalf of the City of Austin, Texas)
Tax Increment Contract Revenue Bonds, Series 2012

INTRODUCTION

This Official Statement, which includes the cover page, the summary statement and the appendices hereto, provides certain information regarding the issuance by the Mueller Local Government Corporation (the "Corporation" or the "Issuer"), of $16,735,000 Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2012 (the "Bonds"). The Bonds are being issued to provide funds for certain public infrastructure improvements within the Zone and to pay costs of issuance.

There follows in this Official Statement descriptions of the Bonds, the Bond Resolution, the Indenture, certain other information about the Corporation, Reinvestment Zone Number Sixteen, City of Austin, Texas ("Reinvestment Zone Sixteen" or the "Zone"), the current and proposed future development of the Zone, Catellus Austin, LLC (the "Developer" or "Catellus"), and certain agreements among the City of Austin, Texas (the "City"), the Corporation, Reinvestment Zone Sixteen, and the Developer. All capitalized terms used herein which are not defined in the text of this Official Statement shall have the meanings set forth in the Bond Resolution (see APPENDIX C) or in the Summary of Certain Provisions of the Indenture (see APPENDIX D), except as otherwise indicated herein. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Public Financial Management, Inc., Austin, Texas, the Corporation's Financial Advisor.

SECURITY AND SOURCE OF PAYMENT

Authority for Issuance

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, and the resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the Corporation on August 23, 2012 (the "Board"), and an indenture of trust, dated as of September 1, 2009 (the "Indenture"), by and between the Corporation and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"). The City approved the issuance of the Bonds by resolution adopted August 23, 2012. The Bonds are the second series of bonds issued pursuant to the terms of the Indenture, and are issued on a parity with the Corporation's Tax Increment Contract Revenue Bonds, Series 2009, originally issued in the aggregate principal amount of $15,000,000 (the "Series 2009 Bonds"). The Bonds and the Series 2009 Bonds, together with any "Additional Parity Bonds", when and if issued, are "Parity Bonds", as such terms are defined in the Indenture.

Security for the Bonds

The Parity Bonds are payable solely from the "Trust Estate" (as defined in the Indenture), which consists primarily of the "Pledged Revenues", which Pledged Revenues include tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone. Currently, only the City participates in the Zone by contributing 100% of its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone. The tax increment revenues of the City will be contributed by the City to the Corporation pursuant to the terms of a Tri-Party Agreement among the City, the Corporation and the Zone, dated as of September 1, 2009 (the "Tri-Party Agreement"). In addition, the City has entered into a grant agreement with the Corporation, effective as of September 8, 2009, pursuant to which the City may make available grant funds, subject to annual appropriation from available monies in the City's general fund, in amounts sufficient to pay debt service on the Parity Bonds should Pledged Revenues be insufficient to allow the Corporation to meet its debt service obligation. The

City is under no obligation to make grant payments. No grant payments have been made in support of the Series 2009 Bonds.

The City created the Zone by ordinance adopted December 16, 2004. In connection with the creation of the Zone, the "base value" of real property within the Zone was established to be zero, as the property within the boundaries of the Zone was publicly-owned. Ad valorem tax revenues generated on the difference between the base value and the assessed value of real property within the Zone in each fiscal year thereafter are captured by the City and deposited to the credit of the "Tax Increment Fund" established for the Zone. The 2012 Certified Tax Roll for the City indicates that the current assessed value in the Zone is $452 million. Under the terms of the Tri-Party Agreement, tax increment revenues deposited to the Tax Increment Fund will be transferred to the Corporation for, among other things, the payment of debt service obligations on bonds or other obligations issued or incurred by the Corporation to finance the payment of Project Costs.

Tax Increment Fund

On December 16, 2004, the City Council authorized an ordinance (the "Creation Ordinance") which established the Zone as a tax increment reinvestment zone. The Zone encompasses the area in which the former Robert Mueller Municipal Airport was located. The Zone became effective upon the adoption of the Creation Ordinance, and shall terminate on December 31, 2045, or at an earlier time designated by the City Council by ordinance if the City Council determines in its sole discretion that the Zone should be terminated due to insufficient private investment, accelerated public investment or other good cause, or when all project costs and any obligations secured by and payable from tax increment revenues, including interest, have been paid in full.

In accordance with the provisions of Chapter 311, Texas Tax Code, and the Creation Ordinance, the City has established for the benefit of the Zone a fund designated as the Tax Increment Reinvestment Zone Number Sixteen, City of Austin, Tax Increment Fund (the "Tax Increment Fund"). Tax increment revenues collected by the City are deposited to the credit of the Tax Increment Fund for use consistent with the Creation Ordinance and the project and financing plan governing the affairs of the Zone. As described above under "SECURITY AND SOURCE OF PAYMENT – Security for the Bonds", in accordance with the terms of the Tri-Party Agreement, tax increment revenues will be transferred to the Corporation for, among other things, the payment of debt service on the Bonds. The City shall maintain the Tax Increment Fund until such time as the Zone is terminated.

The following tables provide information relating to tax increment revenues collected to date and the top ten taxpayers within the Zone.

Historical Assessed Valuation Applicable to the Zone

Tax Year	Net Taxable Assessed Value	Captured Appraised Value	Tax Increment Revenue (1)
2007	$ 0	$ 0	$ 213,262
2008	118,564,874	118,564,874	470,925
2009	282,682,419	282,682,419	1,778,898
2010	336,151,801	336,151,801	966,995
2011	384,032,269	384,032,269	1,861,250
2012	452,195,494	452,195,494	2,274,091

(1) The City is currently the only participant in the Zone.

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

Top Ten Taxpayers in the Zone (Certified Tax Roll)

Taxpayers	Property Description	2012 Taxable Value	Percent of 2012 Taxable Value
Cole Mt Austin TX LLC	Commercial	$ 68,829,010	15.2%
New York Life Insurance	Multi-family	59,800,000	13.2%
TRT 1345 Philomena Street Owner LLC	Commercial	33,717,700	7.5%
Strictly Pediatrics Land CO LLP	Commercial	32,867,425	7.3%
Catellus Market District LLC	Commercial	7,923,626	1.8%
Austin DMA Housing LLC	Multi-family	5,142,988	1.1%
Mueller II Limited Partnership	Commercial	2,957,516	0.7%
Catellus Mixed Land LLC	Multi-family	2,001,370	0.4%
Mueller Hospitality LP	Commercial	1,723,408	0.4%
Standard Pacific of Texas Inc.	Residential	1,304,785	0.3%
TOTAL		$216,267,828	47.9%

Projected Revenue Adequacy for the Parity Bonds

Projected Coverage	
Principal and Interest due FY 2013	$2,021,702
Projected 2012 Tax Increment Revenue at 100% Collections	2,274,091
Debt Service Coverage	1.12x

The Grant Program and the Grant Agreement

Section 52-a of Article III of the Texas Constitution ("Article III, Section 52-a") authorizes the Texas Legislature to provide for the creation of programs and the making of loans and grants of public money for the public purposes of development and diversification of the economy of the state, the elimination of unemployment and underemployment in the state, the stimulation of agricultural innovation, the fostering of the growth of enterprises based on agriculture, or the development or expansion of transportation or commerce in the state. Article III, Section 52-a further provides that a program created or loan or grant made that is not secured by a pledge of ad valorem taxes of the political subdivision does not constitute or create a debt for the purpose of any provision of the Texas Constitution. Chapter 380, Texas Local Government Code ("Chapter 380"), provides that the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. In 2003 and 2005, the City Council of the City adopted resolutions establishing a program to provide for economic development grants to promote and foster economic development in the City. With respect to development within the Zone, the City entered into a Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004 (the "Development Agreement"), and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation to be created by the City. The Corporation was created in response to the provisions of the Development Agreement.

The City Council of the City adopted a resolution on April 27, 2006 authorizing the establishment of a specific program under Chapter 380 to provide economic assistance in an effort to achieve the economic development objectives of the geographic area included or to be included in the Zone and neighboring areas. The grant to be made to the Corporation is in furtherance of this program. On August 27, 2009, the City Council approved the execution and delivery of a grant agreement with the Corporation (the "Grant Agreement"), pursuant to which the City, subject to annual appropriation at the sole discretion of the City Council, may grant funds to the Corporation from the City's general fund to enable the Corporation to pay debt service on the Series 2009 Bonds, the Bonds and any additional bonds issued by the Corporation and secured by tax increment revenues. The Bonds and the Series 2009 Bonds are the only outstanding obligations issued by the Corporation to which the Grant Agreement would apply. Pursuant to the terms of the Grant Agreement, the Corporation has agreed not to issue bonds secured by tax increment revenues in excess of $35 million in aggregate principal amount.

The City entered into a similar grant agreement with the Corporation in respect to the Corporation's Contract Revenue Bonds, Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds are **not** secured by a pledge of tax increment revenues generated within the Zone. The City intends to fund the grant in respect to the Series 2006 Bonds from sales taxes generated within the Zone, and to the extent sales taxes generated within the Zone are insufficient to fund the grant, it is anticipated that the balance of the grant amount shall be funded from the City's general fund. To date, the City has funded grants in the aggregate amount of $4,219,841 to enable the Corporation to make debt service payments on the Series 2006 Bonds and to pay fees and expenses of the trustee for the Series 2006 Bonds. Sales tax collections within the Zone have totaled $3,629,545 since inception. The City anticipates that future sales tax collections within the Zone will be sufficient to enable the Corporation to adequately fund Series 2006 Bond debt service amounts over the life of the Series 2006 Bonds. See "INVESTMENT CONSIDERATIONS – Forward Looking Statements".

GRANT PAYMENTS, IF ANY, MADE BY THE CITY UNDER THE GRANT AGREEMENT SHALL BE TREATED AS A CURRENT EXPENSE, PAYABLE SOLELY FROM FUNDS TO BE ANNUALLY APPROPRIATED BY THE CITY FOR SUCH USE. THE BONDS ARE A LIMITED OBLIGATION OF THE CORPORATION, PAYABLE SOLELY OUT OF THE TRUST ESTATE (AS DEFINED IN THE INDENTURE), WHICH IS THE SOLE ASSET OF THE CORPORATION PLEDGED THEREFOR. THE BONDS ARE SOLELY THE OBLIGATION OF THE CORPORATION, AND DO NOT CONSTITUTE, EITHER WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE CITY IS UNDER NO OBLIGATION TO APPROPRIATE FUNDS TO MAKE GRANT PAYMENTS. SEE "INVESTMENT CONSIDERATIONS" BELOW.

The Tri-Party Agreement

The Tri-Party Agreement vests in the Issuer the authority to issue the Bonds or to enter into other contractual obligations that are to be repaid from moneys to be paid by the City and the Zone to the Issuer from Tax Increments pursuant to the Tri-Party Agreement, in furtherance of the implementation of the Plan.

The Issuer is expressly granted the right and authority in the Tri-Party Agreement from time to time to issue bonds upon such terms and conditions as the Issuer and the City shall determine to be necessary or desirable to implement the Plan. The Bonds constitute bonds that are permitted to be issued under the terms of the Tri-Party Agreement.

Under the Tri-Party Agreement, the Issuer has agreed to commence the process to issue and sell bonds from time to time, at such times and in such amounts as are required to produce bond proceeds in an amount sufficient to accommodate the construction of improvements within the Zone and to pay other Project Costs as necessary. The issuance of bonds by the Issuer is subject to the approval of the City by a resolution duly adopted by the City Council.

In accordance with the terms of the Tri-Party Agreement, the City established the Tax Increment Fund and has deposited therein all Tax Increments. During the term of the Tri-Party Agreement, the City is required to pay to the Issuer, on a monthly basis on the first business day of the month, all Contract Tax Increment then available in the Tax Increment Fund for deposit into the Pledged Revenue Fund established by the Issuer in the Indenture pursuant to the Tri-Party Agreement.

The Issuer is required by the Tri-Party Agreement to use the monies in the Pledged Revenue Fund in accordance with the description of the flow of funds outlined in the Plan.

The obligation of the City and the Zone to the Issuer under the Tri-Party Agreement is limited to the Contract Tax Increments of the City and the other Taxing Units, if any, which are received by the City. Currently, the City is the only Taxing Unit contributing Tax Increments to the Zone. The Tri-Party Agreement does not create any obligation on the City or the Zone which is payable from taxes or other moneys of the City other than the Contract Tax Increments which are collected by the City. The obligation of the City and the Zone to the Issuer shall be subject to the rights of any of the holders of bonds, notes or other obligations that have heretofore or are hereafter issued by the City or any other Taxing Units that may contribute Tax Increment to the Tax Increment Fund that are payable from or secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the City or any such other Taxing Units. In the Tri-Party Agreement, the City covenants and agrees, for so long as any Bond secured by Tax Increments is outstanding and unpaid, to annually assess, levy and collect its ad valorem taxes within the Zone.

The obligations of the City and the Zone to make payments to the Issuer from the sources and in the manner set forth in the Tri-Party Agreement are absolute and unconditional, and, until such time as all bonds and obligations incurred pursuant to the Tri-Party Agreement, including the Bonds, have been fully paid or provided for in accordance with their terms or the date of expiration of the Zone, whichever comes first, the City and the Zone will not suspend or discontinue any payments provided for in the Tri-Party Agreement and will not terminate the Tri-Party Agreement for any cause, including the failure of the Issuer to perform or observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Tri-Party Agreement.

The Tri-Party Agreement will terminate upon the termination of the Zone. A party may terminate its performance under the Tri-Party Agreement only upon default by another party. A default shall occur if a party fails to perform or observe any of the terms and conditions and such failure is not cured within the 30-day cure period. No termination of the Tri-Party Agreement, however, will affect the obligation of the City and the Zone to pay from Contract Tax Increment an amount that will permit the Issuer to pay its bonds, notes or other obligations issued or incurred pursuant to the Tri-Party Agreement prior to termination. The Tri-Party Agreement may be amended upon mutual written consent of the parties thereto.

Pledged Revenues; Pledged Revenue Fund

The Indenture created a fund to be held by the Trustee designated as the "Pledged Revenue Fund". Money in the Pledged Revenue Fund is held in trust by the Trustee. Such money was initially applied on February 15, 2010 and is to be applied on each August 15 and February 15 thereafter for so long as the Indenture is in effect (a "Transfer Date") in the following manner and order of priority:

> <u>First</u>, to the Interest Account amounts necessary to make the amounts on deposit therein equal to the interest due on the Tax Increment Contract Revenue Bonds on the next succeeding Interest Payment Date;
>
> <u>Second</u>, to the Principal Account amounts necessary to make the amounts on deposit therein equal to one-half of the Principal Installments, and premium, if any, due on the Tax Increment Contract Revenue Bonds on the next succeeding Principal Installment Payment Date;
>
> <u>Third</u>, to the payment of the fees and expenses of the Trustee and Paying Agent/Registrar due and owing, for the next six (6) month period;
>
> <u>Fourth,</u> to any fund or account created for the benefit of any Subordinate Lien Obligations issued or incurred by the Corporation; <u>provided</u> that immediately prior to any such transfers the deposits required by First through Third above have been made or provided for; and
>
> <u>Fifth,</u> as directed by the Corporation, for any lawful purpose as may be approved by the City for the payment of Project Costs; <u>provided</u> that immediately prior to any such transfers the deposits required by First through Fourth have been provided for.

The foregoing notwithstanding, after the deposits required by First through Fourth above have been made or provided for, the Trustee may make deposits as permitted by Fifth above in accordance with written directions executed by an Authorized Representative and approved by the City, provided that after such deposits and transfers required by First through Fourth above have been made, upon transferring funds as permitted by Fifth above, there shall be on deposit in the Pledged Revenue Fund moneys not less than $100,000 (the "Pledged Revenue Fund Balance"). As of August 15, 2012, the balance in the Pledged Revenue Fund was $1,786,331.

The Bonds and the Series 2009 Bonds constitute Tax Increment Contract Revenue Bonds.

Debt Service Fund

Money in the Debt Service Fund shall be held in trust by the Trustee. Within the Debt Service Fund, the "Interest Account" and the "Principal Account" are created and established with the Trustee. The Corporation shall deposit or cause to be deposited into the Debt Service Fund accrued interest on the Tax Increment Contract Revenue Bonds (including the Bonds), transfers from the Pledged Revenue Fund as provided in the Indenture, and, to the extent necessary, other Pledged Revenues in such amounts and at such times to provide that amounts necessary to pay all Tax Increment Contract Revenue Bonds when due, including specifically to pay interest and principal due on the Bonds in the twelve month period following a Transfer Date. The Trustee shall transfer to the Paying Agent/Registrar on or before each date interest on and principal of the Tax Increment Contract Revenue Bonds (including the Bonds) is due and payable such amounts in the Debt Service Fund to pay interest on and principal of the Bonds as the same becomes due.

Public Improvements Fund

The Public Improvements Fund shall initially be funded as provided in the Bond Resolution. The money and securities in the Public Improvement Fund shall be held in trust by the Trustee and applied as provided below, and until such application, the money and securities in such fund shall be subject to a lien and charge in favor of the Owners of the Bonds.

A. The Trustee is authorized and directed to make disbursements from the Public Improvements Fund and to issue its checks therefor or otherwise pay upon receipt of a requisition in accordance with paragraph B below. The Trustee shall keep and maintain adequate records pertaining to the Public Improvements Fund and all disbursements therefrom.

B. The Trustee shall use money in the Public Improvements Fund solely to pay or reimburse the Corporation for Project Costs including Costs of Issuance and the repayment of any advances, loans, notes or other obligations used to finance Project Costs. Before any payment shall be made from the Public Improvements Fund, there shall be filed with the Trustee a completed requisition signed by an Authorized Representative of the Corporation. Upon receipt of such requisition, the Trustee shall make payment from the Public Improvements Fund in accordance with such requisition.

Additional Parity Bonds

The Corporation reserves the right to issue, for any lawful purpose (including the refunding of any previously issued or incurred Parity Bonds), one or more series of Additional Parity Bonds payable from and secured by a first lien on the Pledged Revenues, on a parity with the Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

1) The Additional Parity Bonds mature on, and interest is payable on, the Principal Installment Payment Dates and Interest Payment Dates, respectively; and

2) The Corporation is not in material default with the terms of the Indenture, any Bond Resolution or any other agreement to which it is a party and has so certified.

The aggregate principal amount of Tax Increment Contract Revenue Bonds that may be issued that are secured by a first lien on and pledge of the Trust Estate shall not exceed $50,000,000 and may not be issued without the prior approval of the City. The Bonds constitute the second series of Tax Increment Contract Revenue Bonds issued under authority of the Indenture, and shall be on a parity with the Series 2009 Bonds.

INVESTMENT CONSIDERATIONS

Nonappropriation

There can be no assurance that the City will annually appropriate sufficient funds to pay the Grant Payments in any given year. THE CITY HAS NO OBLIGATION TO ADOPT OR MAINTAIN A BUDGET TO MAKE GRANT PAYMENTS OR TO MAKE GRANT PAYMENTS IN ANY YEAR SUBSEQUENT TO A YEAR IN WHICH GRANT PAYMENTS ARE APPROPRIATED.

Other Obligations of the City

Grant Payments, if any, made by the City will be satisfied from the funds of the City which are appropriated for such use. To the extent that the City's ad valorem tax revenues are used by the City to make the Grant Payments, the City has outstanding debt obligations secured by, and may enter into other obligations which may constitute additional charges against, such funds from which the Grant Payments may be appropriated and, therefore, such funds available for appropriation for Grant Payments may be decreased.

Project Development

Neither the City nor the Corporation has any direct ability to influence development within the Zone. General economic conditions, demand by retailers for commercial space within the Zone, competition from other developments in the City and the Austin metropolitan region, and other factors relating to the cost of the construction of the development within the Zone, may cause delays in or cancellation of some or all proposed elements of the development within the Zone.

Change in State Law Affecting City Economic Development Program

The Constitution of the State of Texas, including specifically Article III, Section 52-a, could be amended in the future in a manner that would restrict or eliminate the ability of a future City Council to fund a grant for economic development within the Zone as provided for in the resolutions of the City approving the economic development program. State law, including Chapter 380, could be amended or, in the case of Chapter 380, repealed prior to the funding of any economic development grant by the City, in such a manner that the ability to fund such a grant may be restricted or eliminated.

Forward-Looking Statements

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

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

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

BOND INFORMATION

General

The Bonds will be dated August 15, 2012, and shall bear interest on the unpaid principal amounts from such date, at the per annum rates shown on the cover page. Principal is payable on September 1 in each of the years shown on the cover page hereto or on redemption prior to maturity, upon presentation thereof, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "Paying Agent/Registrar" herein). Interest thereon is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) on or before March 1, 2013 and each September 1 and March 1 thereafter until maturity or prior redemption and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the bondholder. The Bonds are issued only as fully registered obligations in denominations of $5,000 or any integral multiple thereof within a maturity.

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

Optional Redemption

The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2023, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2022, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Corporation shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

Notice of Redemption

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

Defeasance of Bonds

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

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

Book-Entry-Only System

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities 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. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

Subject to DTC's policies and guidelines, the Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

Paying Agent/Registrar

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

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt thereof to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds Called for Redemption

Neither the Corporation nor the Paying Agent/Registrar shall be required (i) to make any transfer or exchange of any Bond during the period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

Events of Default

An Event of Default under the Indenture shall consist of any of the following acts or occurrences:

(A) failure to pay when due principal of or interest on any Bond; or

(B) failure to deposit to the Debt Service Fund money sufficient for the payment of any principal or interest payable on the Bonds by no later than the date when such principal or interest becomes due and payable; or

(C) failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of thirty (30) days after written notice, either by registered or certified mail, to the Corporation specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the holders of not less than 25 percent (25%) in aggregate principal amount of the Bonds then outstanding.

See APPENDIX D - Summary of Certain Provisions of the Indenture.

Bondholder Remedies

If an Event of Default shall occur and be continuing, then, in addition to all of the other rights and remedies granted to the Trustee under the Indenture, the Trustee in its discretion, subject to the provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Owners of the Bonds by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Bond Resolution or the Bonds or in aid of the execution of any power granted in the Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Owners of the Bonds, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the members of the Board or other officers of the Corporation to observe and perform such covenant, obligations or conditions of the Indenture.

Registered Owners' Remedies After Default

Remedies available to Registered Owners of Bonds in the event of a default by the Corporation in one or more of its obligations under the Bonds, the Bond Resolution or the Indenture are limited. Although Texas law and the Bond Resolution provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy may prove time-consuming, costly and difficult to enforce. Neither the Bond Resolution nor the Indenture provides for acceleration of maturity of the Bonds, or for the foreclosure of any property or assets other than applying the Pledged Revenues in the manner provided in the Indenture. See " - Bankruptcy Limitation to Registered Owners' Rights" below, "APPENDIX C - Bond Resolution" and "APPENDIX D - Summary of Certain Provisions of the Indenture".

Bankruptcy Limitation to Registered Owners' Rights

As is true with many entities that issue debt, there is a risk that the Corporation may file for bankruptcy and afford itself the protection of the Federal Bankruptcy Code. In that case, the Corporation receives the benefit of the automatic stay and creditors, such as the holders of the Bonds, cannot pursue their remedies against it without the permission of the Bankruptcy Court. The Corporation has a right to reorganize and adjust its debts with the approval of the Bankruptcy Court. While the relevant law on this point is not clear, it may be possible for the Corporation to be forced into involuntary bankruptcy by one or more creditors. A bankruptcy filing by or against the Corporation could adversely affect the payment of principal and interest on the Bonds.

Future Debt

The Corporation has reserved the right in the Indenture to issue Parity Bonds in an aggregate principal amount not to exceed $50 million. The Corporation currently estimates that the total amount of bond indebtedness incurred by the Zone, including the Series 2009 Bonds and the Bonds, will not exceed $50 million. The Corporation currently does not anticipate any additional Parity Bonds will be issued prior to 2013. See "SECURITY AND SOURCE OF PAYMENT - Additional Parity Bonds".

Marketability of the Bonds

The Corporation has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the Corporation to comply with certain covenants contained in the Bond Resolution and the Indenture on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS".

THE CORPORATION AND THE ZONE

The Corporation

The creation of the Corporation, a not-for-profit local government corporation, was authorized by the City on December 2, 2004, by Resolution No. 041202-60 of the City Council of the City. The Corporation operates pursuant to Articles of Incorporation filed with the Secretary of State and Bylaws approved by the City, and under the provisions of Chapter 431, Texas Transportation Code, and the general laws of the State of Texas applicable to nonprofit corporations. The Corporation was created to aid, assist and act on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City, including, without limitation, the development of the geographic area included or to be included in the Zone and neighboring areas, for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development, including the redevelopment of the property within the City formerly known as Robert Mueller Municipal Airport ("Mueller" or "RMMA"), which is located within the boundaries of the Zone.

Reinvestment Zone Sixteen

On December 16, 2004, the City Council adopted the Creation Ordinance which established Reinvestment Zone Sixteen, a tax increment financing zone which encompasses the Mueller area. The Zone includes approximately 700 acres which will be developed as an urban in-fill mixed-used project with extensive amenities including open space, parks, trails, greenways and ball fields. The development will include an array of residential housing options ranging from owner-occupied single family housing to apartments to live-work shop houses. Inclusion of affordable housing is also a key component of the residential development. Commercial uses will include office, retail, and a children's hospital. In order to develop the property, extensive deconstruction of runways and facilities must occur and infrastructure must be constructed. It is estimated that full build-out of the project will occur in 2017. See "THE CORPORATION AND THE ZONE - General".

The goals of the development in the Zone include creation of a revenue stream to help fund onsite infrastructure as well as increase the City's tax base for the benefit of all citizens, to increase Austin's role in an increasingly global marketplace and create a wide range of employment opportunities for the community's citizens, and to promote economic development opportunities within East Austin. Other key goals include compatibility with and linkage to surrounding neighborhoods, economic and ethnic diversity and sustainability.

The Zone was effective on December 16, 2004 and shall terminate on December 31, 2045, or at an earlier time designated by the City Council by ordinance if the council determines in its sole discretion that the Zone should be terminated due to insufficient private investment, accelerated private investment or other good cause, or when all project costs and tax increment bonds, if any, including interest, have been paid in full. The base on values of real property within the Zone was established at zero, as the property within the boundaries of the Zone was publicly-owned. Tax increment revenues, those revenues generated from real property value increases in excess of the base value, are deposited to the tax increment fund established for the Zone, and shall be transferred to the Corporation in accordance with the terms of the Tri-Party Agreement.

Mueller Local Government Corporation
Debt Service Requirements

Fiscal Year Ending 30-Sep	Outstanding Series 2009 Bonds Principal	Interest	Total	The Bonds Principal	Interest	Total	Total	% of Principal Retired
2013	620,000	545,438	$ 1,165,438	$ 350,000	$ 506,264	$ 856,264	$ 2,021,702	
2014	630,000	523,738	1,153,738	520,000	477,721	997,721	2,151,459	
2015	645,000	501,688	1,146,688	540,000	467,321	1,007,321	2,154,009	
2016	665,000	479,113	1,144,113	550,000	456,521	1,006,521	2,150,634	
2017	685,000	455,838	1,140,838	565,000	445,521	1,010,521	2,151,359	18.91%
2018	705,000	431,863	1,136,863	580,000	434,221	1,014,221	2,151,084	
2019	730,000	403,663	1,133,663	595,000	422,621	1,017,621	2,151,284	
2020	755,000	374,463	1,129,463	615,000	410,721	1,025,721	2,155,184	
2021	785,000	344,263	1,129,263	630,000	392,271	1,022,271	2,151,534	
2022	815,000	312,863	1,127,863	650,000	373,371	1,023,371	2,151,234	41.38%
2023	845,000	280,263	1,125,263	675,000	353,871	1,028,871	2,154,134	
2024	880,000	246,463	1,126,463	690,000	336,153	1,026,153	2,152,615	
2025	920,000	211,263	1,131,263	705,000	315,453	1,020,453	2,151,715	
2026	960,000	174,463	1,134,463	725,000	294,303	1,019,303	2,153,765	
2027	1,000,000	133,663	1,133,663	745,000	272,553	1,017,553	2,151,215	68.07%
2028	1,050,000	91,163	1,141,163	760,000	249,271	1,009,271	2,150,434	
2029	1,095,000	46,538	1,141,538	785,000	225,521	1,010,521	2,152,059	
2030				1,955,000	200,401	2,155,401	2,155,401	
2031				2,015,000	136,864	2,151,864	2,151,864	
2032				2,085,000	70,369	2,155,369	2,155,369	100.00%
	$ 13,785,000	$ 5,556,738	$ 19,341,738	$ 16,735,000	$ 6,841,313	$ 23,576,313	$ 42,918,051	

General

Located in the heart of Austin, the redevelopment of Mueller, Austin's previous municipal airport site, includes approximately 700 acres of land that have been carefully planned to bring to life the community's vision to create a new district for the City.

Mueller is strategically located three miles northeast of downtown Austin. It is within three miles of the state capitol, two miles of the campus of The University of Texas at Austin, and it is near three additional accredited institutions of higher learning, three regional shopping destinations, and a belt of technology centers that runs along U.S. Highways 183 and 290.

The Reuse and Redevelopment Plan for Mueller was adopted by the Austin City Council in 2000. This plan was the product of many years of community involvement, serving as the springboard for more detailed development planning with the Developer.

The Mueller Redevelopment Project Master Plan includes approximately 5,500 single-family homes and multi-family units with a diverse range of housing opportunities including:

- Single-family yard houses with front porches and rear garages, some of which include carriage houses above the garage
- Attached residential row houses
- Attached live-work shop houses that provide a workspace at street level
- Apartments and condominiums some in mixed-use buildings with ground-level retail and small businesses.

At least 25 percent of the residential units expected at Mueller will be affordable to low-income households, or approximately 1,375 affordable units distributed throughout the community.

The project will also include more than four million square feet of commercial and institutional facilities with a wide range of uses including:

- Dell Children's Medical Center of Central Texas (currently 515,000 square feet),
- The University of Texas Medical Research campus,
- 790,000 square feet of retail, including both regional retail, a market district and the Town Center,
- Over 1,000,000 feet of office space, and
- Approximately 20 acres for the Austin Film Studios complex.

Buildout is expected to be complete in 2017. Upon completion, the redevelopment will be one of the largest urban infill redevelopment projects in the country, projected to provide approximately 13,000 permanent job opportunities for the community. The total value of new buildings at final buildout of the Mueller redevelopment is estimated to exceed $1 billion in 2012 dollars, which at current tax rates will generate roughly $4.5 million in annual property tax revenues to the City.

With more than 140 acres of parks/open space and a planned school, Mueller is designed as a model for responsible urban planning and development and will result in the creation of a community that is compact and pedestrian-scaled, supportive of transit, and compatible and complementary with the surrounding fabric of single-family neighborhoods.

- Transit – Transit is essential to the goal of achieving a compact, pedestrian-oriented community. The Mueller Master Plan accounts for possible urban rail transit service to connect to commuter rail service in the future, as well as Bus Rapid Transit (BRT) and expanded local bus service.

- Open Space – The Mueller Master Plan incorporates approximately 140 acres of open space usable by the public, including neighborhood parks, new lakes, sports fields, greenways with hike/bike paths and 15,000 new trees.

- Pedestrian-Friendly – The streets at Mueller have been designed to provide a network of pedestrian ways throughout the community.

- Bicycle-Friendly – Mueller will host a comprehensive network of bicycle facilities to extend the existing system of bike lanes adjacent to the property. Overall, a total of 13 miles of new bike routes, lanes and paths are planned.

- Sustainability – Mueller's design promotes sustainability at three levels: Green Community Design, Green Buildings and Green Infrastructure. The creation of a compact, walkable, transit-oriented development provides an alternative to the automobile-dominant patterns of development. The Mueller redevelopment also incorporates principles based on the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) program and the City's own Green Building Program.

The City had a number of goals in mind while the redevelopment plan was being formulated. The development as planned meets all these goals which include:

- Fiscal Responsibility – The redevelopment must create a revenue stream that will substantially fund onsite infrastructure and increase the City's tax base for the benefit of all citizens.

- Economic Development - The redevelopment will reinforce Austin's role in an increasingly global marketplace and create a wide range of employment opportunities for the community's citizens.

- East Austin Revitalization - The redevelopment must promote economic development opportunities within East Austin, giving local residents a direct stake in redevelopment.

- Compatibility with Surrounding Neighborhoods - Development must maintain and enhance the quality of life in adjacent neighborhoods, providing complementary linkages, land uses and transportation patterns.

- Diversity - Mueller will offer a wide range of housing and employment choices in order to create a new community of ethnically and economically diverse residents.

- Sustainability - Development has been planned in a way that promotes energy efficiency, reduced auto dependency, watershed protection and green space preservation.

Project Status

Current development of Mueller encompasses 324 acres of completed improvements in accordance with the Mueller Redevelopment Project Master Plan (which represents 46% of the entire 700 acre development), with a well-established employment center and vibrant residential neighborhood. This includes completion of more than 50% (or 75 acres) of the open space planned, creating activated parklands.

In the northwest quadrant, 45 employers already provide more than 3,300 jobs at Mueller. Along with the Dell Children's Hospital in 2007, Strictly Pediatrics opened a 127,000 square feet medical office building, Ronald McDonald House opened a 30,000 square feet facility, and SEDL (Southwest Educational Development Laboratory) opened their 56,000 square feet headquarters. In 2009 the 156,000 square feet Seton Family of Hospitals headquarters and the 150,000 square feet University of Texas' Dell Pediatric Research Institute were completed. Construction currently underway for 2013 opening includes Dell Children's Hospital's $48,000,000 expansion, a 112-room hotel, the Austin Children's Museum's new 36,000 square foot facility, and the Market District a 115,000 square feet grocery-anchored shopping center. Groundbreaking is anticipated in 2012 for the Austin Independent School District's first regional Performing Arts Center, with 1,500 seats.

From the start of home sales in 2007, the community has been well received. As of the second quarter of 2012, approximately 800 single family residential homes were either occupied or being built; 641 for-rent apartment units have been completed and an additional 301-unit apartment project is currently under construction. Infrastructure for an additional 221 homes is either complete or under construction, with those homes to be constructed starting in the fall of 2012. With the completion of these single family homes and the apartment complexes, approximately 2,000 families will have residences at Mueller.

Retail Description

The first phase of the Mueller's established regional retail center opened in 2007, followed in 2008 by a second phase to total more than 350,000 square feet in place. The tenant mix includes large format "power" retailers Home Depot, Best Buy, Bed Bath & Beyond and Old Navy, complemented by small shops, services and restaurants like Starbucks, WhichWich?, Jamba Juice and Chipotle Grill. The center currently includes 29 stores with a 99% occupancy.

Catellus is currently in negotiations with retailers for the 115,000 square feet Market District anchored by Texas' market-leading grocer HEB and an additional 11,000 square feet retail building in the regional retail center. Additional retail along with restaurant and entertainment use is planned for a future town center.

THE MASTER DEVELOPMENT AGREEMENT

In December 2004, the City and Catellus executed the Master Development Agreement setting forth the terms and conditions relating to the development of the Mueller property. Both the City and Catellus have committed to fund the cost of constructing the Mueller Master Plan and each will realize financial gains from the successful redevelopment of Mueller. The developer bears the bulk of the risk in the Master Development Agreement. Catellus is directly responsible for financing, constructing infrastructure, and marketing the development, and will be investing a significant amount of equity into the project.

Due to the lack of infrastructure in place, the cost to demolish existing buildings and runways and the high level of amenities, the City has always anticipated that public financing would be required to fulfill the vision. This infrastructure to be constructed consists primarily of streets and intersections, bicycle and pedestrian infrastructure, backbone for water, wastewater, electric, gas and telecommunications, street lighting, parks and greenways, drainage and water quality features.

The primary source of funding for the Master Development is proceeds from the sale of the land and other related revenues. These sources are projected to provide approximately 83 percent of total Master Development costs. In addition the Corporation issued $12 million in contract revenue bonds in August 2006 and $15 million tax increment contract revenue bonds in 2009 to provide additional funding.

At the end of the redevelopment, after all costs and land-sale proceeds are known, there will be a final accounting, and Catellus anticipates that it will realize its investment returns through the money generated by land sales. While the City may also share in land-sale proceeds, the City's primary source of financial gain will be the ongoing property and sales tax revenues generated by the project.

THE DEVELOPER

Catellus Austin, LLC

Catellus Austin, LLC, a Delaware limited liability company, was created on December 2, 2004, to fully execute the Master Development Agreement with the City of Austin. Its parent company, Catellus Holdings, LLC, is one of many entities owned by Catellus Acquisition Company, LLC, which is itself predominately owned by affiliates of TPG Capital. The Catellus entities own, operate and develop several retail and mixed-use projects, and Catellus has a national reputation for redeveloping complex mixed-use real estate projects in locations throughout the United States.

Catellus Acquisition Company, LLC

Catellus Acquisition Company, LLC, was formed by affiliates of TPG Capital in 2010 to acquire, through subsidiaries, a real estate portfolio, including Catellus Austin, LLC, from ProLogis, a leading provider of industrial real estate. Today the company operates as "Catellus" with offices and assets in 5 states.

TPG Capital

TPG Capital is a leading global private investment firm founded in 1992 with $51.5 billion of assets under management and offices in San Francisco, Fort Worth, Houston, New York, Sao Paulo, Hong Kong, London, Paris, Luxembourg, Melbourne, Moscow, Mumbai, Shanghai, Chongqing, Beijing, Singapore and Tokyo. TPG Capital has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, growth investments, joint ventures and restructurings. TPG Capital seeks to invest in world-class franchises across a range of industries, with real estate constituting a core area of investment focus and expertise. In addition to Catellus, TPG Capital's current real estate portfolio includes investments in ST Residential ($4.5 billion portfolio of mortgage loans and REO assets previously owned by Corus Bank), Taylor Morrison, and Parkway Properties.

SELECTED INFORMATION FOR THE CITY OF AUSTIN, TEXAS

GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE (1)

(Amounts are in thousands)

	Fiscal Year Ended September 30				
	2007	2008	2009	2010	2011
Revenues:					
Taxes (2)	$326,576	$347,961	$356,064	$387,061	$409,344
Franchise Fees	32,275	35,577	33,276	34,964	32,904
Fines, Forfeitures and Penalties	16,094	18,946	19,100	18,692	18,131
Licenses, Permits and Inspections	25,635	24,268	20,531	15,716	18,653
Charges for Services	26,357	29,175	33,655	33,394	44,464
Interest and Other	13,602	12,639	10,456	8,059	5,096
Total Revenues	$440,539	$468,566	$473,082	$497,886	$528,592
Expenditures:					
Administration	$ 10,607	$ 11,592	$ 11,966	$ 11,768	$ 12,229
Urban Growth Management	18,886	20,692	19,682	17,535	34,299
Public Safety	352,149	384,081	389,518	398,930	422,092
Public Services and Utilities	297	340	365	363	14
Public Health	32,545	34,823	37,133	37,464	39,230
Public Recreation and Culture	53,213	58,919	59,988	60,040	72,189
Nondepartmental Expenditures	68,170	65,112	52,197	69,456	74,291
Total Expenditures	$535,867	$575,559	$570,849	$595,556	$654,344
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	$ (95,328)	$(106,993)	$ (97,767)	$ (97,670)	$(125,752)
Other Financing Sources (Uses):					
Transfers from Other Funds	107,241	116,311	121,936	130,233	141,448
Transfers to Other Funds	(16,907)	(27,438)	(20,698)	(16,014)	(9,487)
Net Other Financing Sources	$ 90,334	$ 88,873	$101,238	$114,219	$131,961
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	$ (4,994) (3)	$ (18,120)	$ 3,471	$ 16,549	$ 6,209
Fund Balances at Beginning of Year	111,804	106,810	88,690	92,161	128,044
Fund Balances at End of Year	$106,810	$ 88,690 (4)	$ 92,161 (4)	$108,710 (4)	$134,253 (4)

(1) Only the tax increment is pledged to pay debt service on the Tax Increment Contract Revenue Bonds.
(2) Consists of property, sales and mixed drinks tax.
(3) The City's financial policies were amended in 2006 to establish a budget stabilization reserve in the General Fund. The policies allow the expenditure of one-third of this reserve in any given year to fund capital or other one-time costs. During 2006 and 2007, the City allocated reserve funds to pay for capital and one-time costs that had been deferred during fiscal years 2002 through 2004.
(4) In addition to the budget stabilization reserve, the ending balance includes a contingency reserve of approximately $5.0 million and an emergency reserve of $40 million.

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

CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax

At an election held on September 30, 1967, the citizens of Austin voted a 1% retail sales and use tax to become effective on January 1, 1968. This tax provides an additional revenue source to the General Fund of the City. These sales tax revenues are not pledged to the payment of the Tax Increment Contract Revenue Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, who currently remits the proceeds of the tax to the City monthly. Revenue from this source has been:

Fiscal Year Ended 9-30	Per Capita Sales and Use Tax	(in 000's) Sales and Use Tax	% of Ad Valorem Tax Levy
2003	$163.70	$110,454	47.34%
2004	172.23	117,725	48.79%
2005	177.64	123,617	56.14%
2006	195.02	139,289	60.06%
2007	209.04	153,098	61.32%
2008	207.00	154,445	55.70%
2009	181.98	139,795	45.40%
2010	185.87	144,710	42.47%
2011	187.58	151,125	42.59%
2012 (1)	195.48	158,682	41.17%
2013 (2)	199.29	164,235	39.07%

(1) Estimate.
(2) Estimate used in FY 2013 Proposed Budget.

Transfers From Utility Funds

The City owns and operates a Waterworks and Wastewater System and an Electric Light and Power System, the financial operations of which are accounted for in the Utility Funds. Transfers from the Utility Funds to the General Fund have historically provided a significant percentage of the receipts for operation of the General Fund. The utility system revenues are not pledged to the payment of the Tax Increment Contract Revenue Bonds. The following sets forth the amount of such transfers.

Fiscal Year Ended 9-30	(in 000's) Transfers	% of General Fund Requirements
2003	$ 92,417	20.3%
2004	95,894	21.1%
2005	94,116	20.9%
2006	97,658	20.3%
2007	106,471	20.0%
2008	115,629	19.8%
2009	121,505	20.9%
2010	129,967	21.5%
2011	134,263	20.8%
2012 (1)	136,919	19.8%
2013 (2)	139,548	18.8%

(1) Estimate.
(2) Estimate used in FY 2013 Proposed Budget.

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

TAX INFORMATION

Ad Valorem Tax Law

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

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

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

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

(1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;

(2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

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

Section 1-b, Article VIII of the Texas Constitution, and State law authorize a county, city, town or junior college district to establish an ad valorem tax freeze on residence homesteads of persons who are disabled or sixty-five years of age or older. If the City Council does not take action to establish the tax limitation, voters within the City may submit a petition signed by five percent of the registered voters of the City requiring the City Council to call an election to determine by majority vote whether to establish the tax limitation.

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

The City Council has not determined at this time what action, if any, it will take regarding this constitutional amendment. The City can make no representations or predictions concerning the impact such a tax limitation would have on the taxing rates of the City or its ability to make debt service payments.

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

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

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

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

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

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

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City has created 4 TIFs including the Zone. The City may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has adopted criteria for granting tax abatements which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years.

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

Tax Valuation

January 1, 2012 Appraised Valuation (1)		$95,426,878,531
Less Local Exemptions to Assessed Values: (2)		
Residential Homestead over 65	$1,513,450,855	
Homestead 10% Increase Cap	283,894,263	
Disabled Veterans	170,585,497	
Agricultural and Historical Exemptions	467,691,573	
Disability Exemption	111,724,415	
Other Exemptions	8,434,211,775	
Freeport Exemption	866,793,253	11,848,351,632
January 1, 2012 Net Taxable Assessed Valuation (1)		$83,578,526,899

(1) 2012 Certified Appraised Value includes $6,560,647,557 in property in the appeals process.

(2) Exemptions or adjustments to assessed valuation granted in 2012 include (a) exemptions of $51,000 for homestead property of property owners who are over 65 years of age or disabled; (b) exemptions for residence homestead property exceeding a 10 percent increase in valuation from the previous year; (c) exemptions for property of disabled veterans or certain surviving dependents of disabled veterans; (d) certain adjustments to productive agricultural lands; (e) exemptions to the land designated as historically significant sites by certain public bodies; (f) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.

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

Statement of Debt (As of September 30, 2012)

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

Public Improvement Bonds	$895,805,000	
Certificates of Obligations	128,275,000	
Contractual Obligations	72,220,000	
Mueller Contract Revenue Bonds (1)	23,865,000	
The Bonds (2)	16,735,000	
The Obligations (3)	132,700,000	
Assumed Bonds (4)	10,604,994	
Total		$1,280,204,994
Less Self-Supporting Debt:		
Assumed MUDs	$10,604,994	
Mueller Contract Revenue Bonds (1)	23,865,000	
The Bonds (2)	16,735,000	
Airport (5)	191,491	
Austin Energy (5)	908,486	
City Hall (5)	17,834,727	
CMTA Mobility (6)	2,415,000	
Code Compliance (3) (5)	1,138,570	
Convention Center (5)	20,742,035	
Financial Services (5)	21,366,378	
Fleet Management (5)	3,681,294	
Golf (3) (5)	1,735,249	
One Texas Center (5)	7,186,869	
PARD - Zilker Park (5)	1,336,969	
Solid Waste (3) (5)	72,385,917	
Transportation (3) (5)	16,757,663	
Waller Creek (3) (5)	44,519,119	
Water and Wastewater (3) (5)	17,218,769	
Watershed Protection (5)	7,735,489	
		$ 288,359,019
Interest and Sinking Fund (7)		16,184,658
Self-Supporting General Fund Payments (8)		9,684,596
Net Debt (8)		$ 965,976,721
Ratio Total Debt to FY 2012 Net Taxable Assessed Valuation		1.60%
Ratio Net Debt to FY 2012 Net Taxable Assessed Valuation		1.21%

2012 Population (Estimate) – 811,746 (9)
Per Capita Net Taxable Assessed Valuation – $98,663.00
Per Capita Net Debt Outstanding – $1,189.99

(1) Represents the Series 2006 Bonds and the Series 2009 Bonds. Excludes the Bonds.
(2) The Bonds are expected to be delivered on October 4, 2012 and are included for purposes of illustration.
(3) The Obligations, consisting of $74,280,000 Public Improvement Bonds, Series 2012A, $6,640,000 Public Improvement Bonds, Taxable Series 2012B, $24,645,000 Certificates of Obligation, Series 2012, and $27,135,000 Public Property Finance Contractual Obligations, Series 2012, are expected to be delivered on October 4, 2012 and

are included for purposes of illustration. The Obligations are to be issued by the City and are not payable from or secured by Pledged Revenues.

(4) Represents bonds of the Northwest Austin MUD#1 annexed by the City.

(5) Airport, Austin Energy, City Hall, Convention Center, Financial Services, Fleet Management, Golf, One Texas Center, Solid Waste, Transportation, Water, Wastewater and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for Airport, Austin Energy, Convention Center, Financial Services, Golf, One Texas Center, Solid Waste, Transportation, Water, Wastewater and Watershed Protection is paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise. Fleet Management and One Texas Center are internal service funds that generate revenue through charges to user departments.

(6) The City entered into an interlocal agreement with Capital Metro Transit Authority (CMTA), whereby CMTA will pay the required debt service to the City through a transfer of funds 30 days prior to each debt service payment date. The City entered into an agreement with C3 Productions, whereby C3 Productions will pay the City $500,000 each year for 5 years to cover the required debt service.

(7) Represents estimate of cash plus investments at cost on September 30, 2012.

(8) Various general fund departments have issued debt which is supported by a transfer into the debt service fund from the issuing department. These departments budget the required debt service which reduces the debt service tax requirement.

(9) Source: City of Austin Planning/Growth Department. This figure does not include areas annexed for limited purposes.

Revenue Debt (As of June 30, 2012)

In addition to the above, on a pro forma basis, the City had outstanding $70,679,944 Combined Utility Systems Revenue Bonds payable from a first lien on the combined net revenue of the Electric System and the Water and Wastewater System and $168,274,512 Combined Utility System Revenue Bonds payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; $1,063,390,000 Electric Utility Obligations payable from a separate lien on the net revenues of the Electric Utility System; $1,955,065,000 Water and Wastewater Obligations payable from a separate lien on the net revenue of the Water and Wastewater System, and $393,268,000 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System.

The City also has outstanding $308,850,000 Airport System Revenue Bonds payable from revenue of the City's Airport System. The City also has outstanding $206,030,000 in Convention Center Bonds, payable from hotel/motel occupancy and rental car tax collections.

Obligations Subject to Annual Appropriation

With respect to the redevelopment of Mueller, the City entered into the Development Agreement with Catellus, effective as of December 2, 2004, and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation to be created by the City. The City has entered into an economic development grant agreement (the "2006 Grant Agreement") with the Corporation. Under the terms of the 2006 Grant Agreement, the City will make grant payments to the Corporation from the General Fund, subject to annual appropriation by the City, in amounts sufficient to pay debt service on bonds issued by the Corporation to fund Public Finance Reimbursable Project Costs and pay administrative costs associated with such bonds. It is anticipated that sales tax revenues generated by properties developed at Mueller will be sufficient to fund the grants throughout the term of the 2006 Grant Agreement. $12,000,000 in Contract Revenue Bonds were issued in 2006 (the "2006 Bonds") by the Corporation to finance Public Finance Reimbursable Project Costs. As of the date of the Official Statement, the City has appropriated $4,219,841 in funds to fund payments under the 2006 Grant Agreement, transferred such funds to the Corporation, and the Corporation has used such funds to pay debt service on the 2006 Bonds and pay fees of the trustee for the 2006 Bonds. The 2006 Bonds are not secured with Contract Tax Increments, and are not on a parity with the Bonds.

See "SECURITY AND SOURCE OF PAYMENT – Security for the Bonds" for a description of the Grant Agreement applicable to the Bonds. Also see "SECURITY AND SOURCE OF PAYMENT – The Grant Program and the Grant Agreement".

Valuation and Funded Debt History

Fiscal Year Ended 9-30	Estimated City Population (1)	Net Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Tax Collections
2004	683,551	$48,964,275,008	$ 71,632.22	$ 955,156	$1,397.34	1.95%	99.71%
2005	695,881	49,702,906,522	71,424.43	933,180	1,341.01	1.88%	99.45%
2006	714,237	52,349,642,297	73,294.50	943,312	1,320.73	1.80%	99.87%
2007	732,381	60,512,328,889	82,624.11	869,974	1,187.87	1.44%	99.88%
2008	746,105	68,736,790,926	92,127.50	907,667	1,216.54	1.32%	99.73%
2009	770,296	76,752,007,737	99,639.63	1,065,565	1,383.32	1.39%	99.55%
2010	778,560	80,960,540,976	103,987.54	1,002,186	1,287.23	1.24%	98.98%
2011	805,662	77,619,349,384	96,342.32	1,049,751	1,302.97	1.35%	99.13%
2012	811,746	80,089,291,854	98,663.00	965,977	1,189.99	1.21%	99.24% (3)
2013	824,097	83,578,526,899 (4)	101,418.31	1,006,985 (5)	1,221.93(5)	1.20% (5)	N/A

(1) Source: City of Austin Department of Planning and Development based on full purpose area as of September 30.
(2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer-in from Operating Budget.
(3) Estimated Collections as of June 30, 2012 based on the July 2011 Certified Tax Roll tax levy.
(4) Certified taxable value for the 2012 tax year.
(5) Projected. Includes the obligations to be issued by the City in October 2012. Excludes the Bonds.

Tax Rate, Levy and Collection History

Fiscal Year Ended 9-30	Total Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2004	$0.4928	$0.3236	$0.1692	$241,295,947	99.06%	99.71%
2005 (1)	0.4430	0.2747	0.1683	220,183,876	98.97%	99.45%
2006	0.4430	0.2841	0.1589	231,908,915	99.55%	99.87%
2007	0.4126	0.2760	0.1366	249,673,869	99.61%	99.88%
2008	0.4034	0.2730	0.1304	277,284,215	99.14%	99.73%
2009	0.4012	0.2749	0.1263	307,929,055	99.03%	99.55%
2010	0.4209	0.2950	0.1259	340,762,917	98.97%	98.98%
2011	0.4571	0.3262	0.1309	354,798,046	99.13%	99.13%
2012	0.4811	0.3551	0.1260	385,309,583	98.51% (2)	99.24% (2)
2013 (3)	0.5029	0.3821	0.1208	420,316,412	N/A	N/A

(1) The total tax rate decreased by 6.35¢ as a result of the voters of Travis County (which includes the City) approving in May 2004 the creation of a new County wide hospital district, which resulted in public health services previously provided by the City to be provided by the hospital district. (See "DEBT INFORMATION – Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes".)
(2) Estimated collections as of June 30, 2012 based on the July 2011 Certified Tax Roll tax levy.
(3) Preliminary, subject to change pending adoption of the tax rate.

Ten Largest Taxpayers (1)

Name of Taxpayer	Nature of Property	January 1, 2012 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Samsung Semiconductor LLC	Manufacturing	$2,930,853,529	3.51%
Thomas Property Group LLC	Commercial	699,783,768	0.84%
St. David's Healthcare Partnership	Commercial	312,406,358	0.37%
Freescale Semiconductor Inc.(2)	Manufacturing	266,693,429	0.32%
Dell Computer Corporation	Manufacturing	212,097,537	0.25%
Spansion LLC (3)	Manufacturing	204,762,318	0.24%
Brandywine Acquisition Partners	Commercial	186,629,544	0.22%
HEB Grocery Company	Commercial	168,751,932	0.20%
Riata Holdings LP	Commercial	155,935,747	0.19%
CJUF II Stratus Block 21 LLC	Condominiums	154,642,841	0.19%
TOTAL		$5,292,557,003	6.33%

(1) Four of the companies represent computer technology manufacturers.
(2) The Motorola Corporation released a portion of its operations to form Freescale Semiconductor Inc.
(3) The Advanced Micro Devices corporation released a portion of its operations to form Spansion LLC.
Source: Travis Central Appraisal District.

Property Tax Rate Distribution

	Fiscal Year Ended September 30				
	2009	2010	2011	2012	2013 (1)
General Fund	$.2749	$.2950	$.3262	$.3551	$.3821
Interest and Sinking Fund	.1263	.1259	.1309	.1260	.1208
Total Tax Rate	$.4012	$.4209	$.4571	$.4811	$.5029

(1) Preliminary, subject to change pending adoption of the tax rate.

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

Net Taxable Assessed Valuations, Tax Levies and Collections

Fiscal Year Ended 9-30	Valuation Date	Real Property Amount	Real Property % of Total	Personal Property Amount	Personal Property % of Total	Net Taxable Assessed Valuation	Total Tax Levy	% Current Collections	% Total Collections
2004	1-1-03	$42,832,762,815	87.48%	$6,131,512,193	12.52%	$48,964,275,008	$241,295,947	99.06%	98.71%
2005	1-1-04	43,662,323,952	87.85%	6,040,582,570	12.15%	49,702,906,522	220,183,876 (1)	98.97%	99.45%
2006	1-1-05	46,492,828,677	88.81%	5,856,813,620	11.19%	52,349,642,297	231,908,915	99.55%	99.87%
2007	1-1-06	53,724,137,471	88.78%	6,788,191,418	11.22%	60,512,328,889	249,673,869	99.61%	99.88%
2008	1-1-07	61,455,307,904	89.41%	7,281,483,022	10.59%	68,736,790,926	277,284,215	99.14%	99.73%
2009	1-1-08	68,709,111,385	89.63%	7,961,896,352	10.37%	76,752,007,737	307,929,055	99.03%	99.55%
2010	1-1-09	72,029,659,502	94.21%	8,147,372,223	10.66%	80,960,540,976	340,762,917	98.97%	98.98%
2011	1-1-10	70,498,486,586	90.83%	7,120,349,384	9.17%	77,619,349,384	354,798,046	99.13%	99.13%
2012	1-1-11	71,055,252,115	88.72%	9,034,039,739	11.28%	80,089,291,854	385,309,583	98.51%(2)	99.24%(2)
2013	1-1-12	73,914,708,201	88.44%	9,663,818,698	11.56%	83,578,526,899	420,316,412	N/A	N/A

(1) The City approved a tax rate of $0.5065 which is the effective tax rate. As a result of the voter approved hospital district, the tax rate was amended and reduced by $0.0635 to $0.4430 (see "DEBT INFORMATION – Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes").
(2) Estimated collections through June 30, 2012 based on the July 2011 Certified Tax Roll tax levy.

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

Tax Rate Limitation

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

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

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

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

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

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

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

DEBT INFORMATION (a)

Debt Service Requirements

Fiscal Year Ending 09/30	Public Improvement Bonds	Certificates of Obligation	Contractual Obligations	Assumed NW Austin MUD #1	Mueller Contract Rev Bonds (b)	Future Obligations (c)	Grand Total Requirements	Less Self-Supporting Requirements (d)	Net Total Requirements	Percent Principal Payout
2013	98,178,112	11,738,302	17,623,860	1,117,360	3,003,521	10,838,486	142,499,641	41,052,085	101,447,556	
2014	93,811,229	10,662,016	15,533,586	1,120,098	3,136,415	8,558,203	132,821,546	39,546,043	93,275,503	
2015	90,985,606	10,125,482	14,097,286	1,115,998	3,140,378	9,083,878	128,548,626	35,263,274	93,285,352	
2016	84,627,392	10,195,829	11,579,120	1,135,590	3,127,203	9,064,553	119,729,686	33,027,250	86,702,436	
2017	89,029,746	8,904,315	8,540,352	1,008,319	3,127,215	9,057,103	119,667,050	29,317,638	90,349,412	32.01%
2018	86,669,576	8,980,381	6,417,510	1,012,938	3,130,165	9,039,203	115,249,772	24,472,584	90,777,188	
2019	84,688,890	9,056,647	2,795,238	1,030,083	3,132,315	9,025,903	109,729,074	22,272,631	87,456,443	
2020	82,129,381	9,051,326	309,956	1,033,498	3,136,890	6,833,103	102,494,153	19,481,133	83,013,020	
2021	78,323,008	9,135,749		1,046,118	3,137,640	4,681,003	96,323,517	18,441,153	77,882,364	
2022	68,381,941	9,226,394		1,036,678	3,139,309	4,659,328	86,443,649	16,145,036	70,298,613	60.00%
2023	55,468,912	9,305,763		1,041,188	3,147,646	13,871,303	82,834,811	13,489,026	69,345,786	
2024	51,314,850	11,260,003		1,038,575	3,149,815	15,619,928	82,383,171	13,648,626	68,734,545	
2025	51,190,920	9,375,834		1,044,475	3,145,415	15,280,243	80,036,887	11,731,439	68,305,448	
2026	53,553,035	8,858,747		943,463	3,146,965	12,953,790	79,456,000	11,349,477	68,106,523	
2027	63,828,887	6,964,615			2,151,215	2,735,290	75,680,006	7,659,045	68,020,961	85.07%
2028	42,502,699	6,703,200			2,150,434	8,039,940	59,396,273	7,598,810	51,797,463	
2029	32,673,744	5,870,114			2,152,059	8,059,470	48,755,387	7,622,545	41,132,842	
2030	25,200,798	5,595,689			2,155,401	8,029,395	40,981,283	7,337,786	33,643,496	
2031	10,923,500	3,860,334			2,151,864	10,500,520	27,436,218	6,363,465	21,072,752	
2032		2,583,949			2,155,369	9,041,870	13,781,188	5,675,515	8,105,672	98.39%
2033		2,603,894				356,225	2,960,119	2,960,119		
2034		2,620,134				351,694	2,971,828	2,971,828		
2035		2,635,681				347,006	2,982,688	2,982,688		
2036		2,657,069				341,769	2,998,838	2,998,838		
2037		2,669,000				335,969	3,004,969	3,004,969		99.29%
2038		2,689,413					2,689,413	2,689,413		
2039		2,699,838					2,699,838	2,699,838		
2040		2,315,513					2,315,513	2,315,513		
2041		2,329,988					2,329,988	2,329,988		100.00%

(a) As of September 30, 2012

(b) Represents the Series 2009 Bonds and the Bonds.

(c) The City anticipates the issuance of Public Improvement Bonds, Certificates of Obligation, and Contractual Obligations in October, 2012.

(d) Includes principal and interest on all self-supporting debt (see "Statement of Debt", p. 22).

Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (As of 9-30-11) (in 000's)

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

Taxing Jurisdiction	Total Funded Debt	Estimated % Applicable	Overlapping Funded Debt
Austin, City of	$ 965,977 (1)	100.00%	$ 965,977
Austin Community College	93,164	71.12%	66,258
Austin Independent School District	816,198	93.97%	766,981
Northwest Travis County Road District #3	2,260	100.00%	2,260
Round Rock Independent School District	744,650	33.39%	248,639
Travis County	605,971	69.92%	423,695
Del Valle Independent School District	165,525	68.31%	113,070
Eanes Independent School District	155,600	29.89%	46,509
Leander Independent School District	1,288,146	11.07%	142,598
Manor Independent School District	204,315	69.65%	142,305
Pflugerville Independent School District	346,240	38.48%	133,233
Williamson County	820,309	9.85%	80,800
TOTAL DIRECT AND OVERLAPPING FUNDED DEBT			$3,132,325
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (2)			4.04%
Per Capita Overlapping Funded Debt (3)			$3,887.89

(1) Includes the Obligations to be issued by the City in October 2012. Excludes general obligation debt reported in proprietary funds. Excludes the Bonds.
(2) Based on assessed valuation of $77,619,349,384 provided by the Travis Central Appraisal District, Williamson County Appraisal District and Hays Central Appraisal District.
(3) Based on 2011 estimated population of 805,662.
Source: 2011 City of Austin CAFR.
Note: Overlapping governments are those that coincide, as least in part, with the geographic boundaries of the City. This schedule estimated the portion of the outstanding debt of those overlapping governments that is borne by the City residents and businesses. This process recognized that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Authorized General Obligation Bonds

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued Series 2012 (1)	Unissued Balance
Brackenridge 2000	10/22/83	$ 50,000,000	$ 40,785,000	$ -	$ 9,215,000
Park Improvements	09/08/84	9,975,000	9,648,000	-	327,000
Cultural Arts	01/19/85	20,285,000	14,890,000	-	5,395,000
Transportation (Prop 1)	11/07/06	103,100,000	79,960,000	14,700,000	8,440,000
Drainage Improvements (Prop 2)	11/07/06	145,000,000	125,000,000	5,000,000	15,000,000
Park Improvements (Prop 3)	11/07/06	84,700,000	57,810,000	21,080,000	5,810,000
Cultural Arts (Prop 4)	11/07/06	31,500,000	21,600,000	5,900,000	4,000,000
Affordable Housing (Prop 5)	11/07/06	55,000,000	48,350,000	6,650,000 (2)	-
Central Library (Prop 6)	11/07/06	90,000,000	5,500,000	1,300,000	83,200,000
Public Safety Facility (Prop 7)	11/07/06	58,100,000	52,100,000	1,000,000	5,000,000
Mobility Transportation (Prop 1)	11/02/10	90,000,000	15,305,000	30,000,000	44,695,000
		$737,660,000	$470,948,000	$85,630,000	$181,082,000

(1) Consists of $74,280,000 Public Improvement Bonds, Series 2012A and $6,640,000 Public Improvement Bonds, Taxable Series 2012B. The amounts include premium expected to be received October 4, 2012.
(2) Series 2012B Bonds; all other amounts shown in this column are Series 2012A Bonds.

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

The City Council has called a bond election seeking the authority to issue up to $385 million of general obligation bonds. The election will be held November 6, 2012.

Anticipated Issuance of General Obligation Bonds

The City anticipates the issuance of additional general obligation bonds in October 2012. The City continues to review opportunities for refunding certain previously issued general obligation bonds and assumed debt.

Funded Debt Limitation

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

INVESTMENTS

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

Legal Investments

Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United

States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and (13) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below. The City also is authorized by the PFIA to invest its funds in certificates of deposit issued by one or more federally insured depository institutions, wherever located, in accordance with procedures set forth in the PFIA.

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

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

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

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

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield and maturity; that address the quality and capability of investment personnel; and that include procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of PFIA. The policy includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar–weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (1) understanding of the suitability of the investment to the financial requirements of the City, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

Additional Provisions

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

Current Investments

As of June 30, 2012, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	3%
U. S. Agencies	56%
Money Market Funds	3%
Local Government Investment Pools	38%

The dollar weighted average maturity for the combined City investment portfolios is 371 days. The City prices the portfolios weekly utilizing a market pricing service.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Bond Resolution obligates the Corporation to provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement under: the subheadings "Historical Assessed Valuation Applicable to the Zone" and "Top Ten Taxpayers in the Zone (Certified Tax Roll)" under the heading "SECURITY AND SOURCE OF PAYMENT"; the heading "GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE"; the subheadings "Municipal Sales Tax" and "Transfers from Utility Funds" under the heading "CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES"; the subheadings "Tax Valuation" (with respect to the appraised value as of January 1 during the fiscal year as to which such information relates), "Valuation and Funded Debt History", "Tax Rate, Levy and Collection History", "Ten Largest Taxpayers" and "Property Tax Rate Distribution" under the heading "TAX INFORMATION"; the subheading "Current Investments" under the heading "INVESTMENTS"; and APPENDIX B. The Corporation will update and provide this information as of the end of each fiscal year ending in or after 2012 within six months after the end of each fiscal year. The Corporation's current fiscal year is October 1 to September 30. Accordingly, it must provide updated information by March 31 of each year unless the Corporation changes its fiscal year. If the Corporation changes its fiscal year, it will notify the MSRB of the change.

Any financial statements of the City so to be provided will be (i) prepared in accordance with the accounting principles described in APPENDIX B, or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not completed within such period, then the Corporation will provide unaudited financial statements of the City by the required time and will provide audited financial statements of the City for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available. The updated information also will include audited financial statements of the Corporation, if the Corporation commissions an audit and it is completed by the required time. If audited financial statements of the Corporation are not available by the required time, the Corporation will provide such audited financial statements to the MSRB when and if they become available. Any such audited financial statements will be prepared in accordance with generally accepted accounting principles, or such other accounting principles as the Corporation may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Certain Events

The Corporation will also provide timely notices of certain events to the MSRB. The Corporation will provide notice in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Corporation or the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the City or the sale of all or substantially all of the assets of the Corporation or the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or paying agent/registrar or the change of name of a trustee or paying agent/registrar, if material. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information or operating data in accordance with its agreement described above under "Annual Reports".

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Corporation or the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation or the City, or if such jurisdiction has been assumed by leaving the governing body and officials or officers of the Corporation or the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation or the City.

Availability of Information

In connection with its continuing disclosure agreement entered into with respect to the Bonds, the Corporation will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

The Corporation 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 Corporation or the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the Corporation 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 Corporation became obligated to make annual disclosure of certain financial information and operating data in connection with its previously issued Series 2006 Bonds and its Series 2009 Bonds. Due to an administrative oversight, the Corporation did not file annual audited financial statements of the City with the State Information Depository (the "SID") for the fiscal years ending in 2007 through 2010, with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") for the fiscal years ending in 2007 and 2008 and with the MSRB (now the only NRMSIR) for the fiscal years ending in 2009 through 2011. Additionally, the Corporation did not file certain annual financial information and operating data with the SID for the fiscal years ending in 2007 through 2011, with each NRMSIR for the fiscal years ending in 2007 and 2008 and with the MSRB for the fiscal years ending in 2009 through

2011. The Corporation has since filed all of the required information with the MSRB through its EMMA system and with the SID. The Corporation has implemented procedures to insure timely filing of all future financial information.

As a blended component unit of the City, the Corporation's financial statements are contained in the City's audited financial statements which have been timely filed by the City in each of the fiscal years ending in 2007 through 2011 in connection with separate continuing disclosure undertakings entered into by the City with respect to certain other indebtedness issued by the City. In addition, all of the annual financial information and operating data relating to the City required to be filed by the Corporation has been timely filed by the City in each of the fiscal years ending in 2007 through 2011 in connection with such separate continuing disclosure undertakings.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Corporation, including information and representations contained in the Corporation's federal tax certificate, and (b) covenants of the Corporation contained in the documents authorizing the Bonds relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the Corporation, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on any series of the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Corporation with respect to the Bonds or the projects financed with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the owners of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Corporation as the taxpayer and the owners of the Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

THE DISCUSSIONS CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE ANY OF THE BONDS.

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

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

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

State, Local and Foreign Taxes

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the Bonds under federal or state law, and could affect the market price or marketability of the Bonds. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the foregoing matters.

OTHER RELEVANT INFORMATION

Ratings

The Bonds have received a rating of "AA+" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"). The presently outstanding tax supported debt of the City is rated "AAA" by S&P, "AAA" by Fitch Ratings and "Aaa" by Moody's Investors Service, Inc. 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 neither the Corporation nor the City makes any representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price of the Bonds. Neither the Corporation nor the City will undertake any responsibility to notify the owners of the Bonds of any such revisions or withdrawal of ratings.

Litigation

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

Registration and Qualification

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Opinions and No–Litigation Certificate

The Corporation will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Bonds including the unqualified approving legal opinion of the Attorney General of the State of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security or in any manner questioning the validity of the Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "SECURITY AND SOURCE OF PAYMENT" (exclusive of the subcaptions "Historical Assessed Valuation Applicable to the Zone", "Top Ten Taxpayers in the Zone (Certified Tax Roll)" and "Projected Revenue Adequacy for the Bonds"), "BOND INFORMATION" (exclusive of the subcaptions "Book-Entry-Only System", "Bondholder Remedies" and "Marketability of the Bonds"), the subcaptions "The Corporation" and "Reinvestment Zone Sixteen" under the caption "THE CORPORATION AND THE ZONE", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "TAX MATTERS", and the subcaptions "Registration and Qualification," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Opinions and No-Litigation Certificate" under the caption "OTHER RELEVANT INFORMATION" and "APPENDIX D – Summary of Certain Provisions of the Indenture" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues purported to be addressed therein and, with respect to the Bonds, such information conforms to the Bond Resolution and the Indenture. The legal opinions will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell & Giuliani LLP, Austin, Texas. In addition, Fulbright & Jaworski L.L.P., as disclosure counsel for the Corporation ("Disclosure Counsel"), will pass upon certain legal matters for the Corporation. The fees to be paid to Bond Counsel, counsel for the Underwriters and Disclosure Counsel are contingent on the sale and delivery of the Bonds. In connection with the transactions described in this Official Statement, Bond Counsel represents only the Corporation and the City.

Financial Advisor

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

Independent Auditors

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

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report which contains an explanatory paragraph regarding the City's implementation of GASB Statement 54, which addresses fund balance reporting and governmental fund type definitions.

Underwriting

Stifel, Nicolaus & Company, Incorporated, as representative of the Underwriters, has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Corporation at the initial prices indicated on the cover page hereof, less an underwriting discount of $90,177.36, plus accrued interest. The Underwriters will be obligated to purchase all the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such initial public offering prices, which may be changed from time to time, by the Underwriters.

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

Authenticity of Financial Data and Other Information

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

This Official Statement, and the execution and delivery of this Official Statement has been authorized by the Bond Resolution and approved by the resolution adopted by the City Council on August 23, 2012.

/s/ Marc A. Ott
President
Mueller Local Government Corporation

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

THE CITY

The following information has been presented for informational purposes only.

General Information

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor and six Councilmembers. The Mayor and Councilmembers are elected at large for three-year staggered terms with a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to them for the management of all City employees and the administration of all City affairs. Austin, the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) with a September 2011 population of 805,662, according to the City's estimates. Over the past ten years, Austin's population has increased by approximately 134,600 residents or 20.1%. Geographically, Austin consists of approximately 308 square miles. The current estimated median household income for Austin residents is $46,689, according to Claritas, a Nielsen company. Austin's per capita income is estimated to be $38,484 based on analysis of the Bureau of Economic Analysis information.

Austin is nationally recognized as a great place to live due in part to its diverse and eclectic population, as well as its promotion of a year-round outdoor active lifestyle. Austin draws its special character from its physical setting along the Balcones Escarpment, a city wedged between coastal plain and dramatic cliffs, canyons and juniper carpeted rolling hills; it sits on the edge of the Chihuahuan desert existing as a physical and cultural oasis where talented, entrepreneurial, hard-working people are drawn from all over the world. Austin's quality of life has become its biggest economic development engine, and the City's diverse demographic structure serves to support and enrich its quality of life.

The City of Austin is fortunate to offer a host of broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with approximately 44 percent of adults twenty-five years or older holding a bachelor's or advanced degree, compared to 28 percent for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area. The Austin metropolitan area is host to seven universities and six other institutions of higher learning. The University of Texas at Austin (UT), the fifth largest public university in the nation, is known as a world-class center of education and research and was ranked 45th nationally and 13th among public universities by U.S. News and World Report in 2011.

Local Economy

The City of Austin's vision of being the most livable city in the country means that Austin is a place where all residents participate in its opportunities, vibrancy and richness of culture and diversity. Austin residents share a sense of community pride and a determination that the City's vision is not just a slogan, but a reality for everyone who lives in the City. Local government plays a critical role in determining a city's quality of life. When Austin is compared to other cities, it receives high marks. For instance, the 2011 Community Survey shows that Austin residents rate Austin's city services high, especially when compared to other large cities. Among 13 cities with populations greater than 500,000, Austin had the highest overall satisfaction rating. In addition, Austin is rated at or above the national average for large cities with populations over 200,000 in 89% of the 46 service areas assessed. The City's success is attributable to the hard work, thoughtfulness, and passion of the City Council, City employees, and Austinites themselves. Austin's rankings reflect a City government that seeks to keep its vision in the forefront while planning for the future.

In December 2011, the Brookings Institute Metropolitan Policy Program published the MetroMonitor: Tracking Economic Recession and Recovery in America's 100 Largest Metropolitan Areas, a study that ranked Austin among the strongest-performing metro areas recovering from the economic recession, noting income and employment growth, and a stable housing market. Austin's diversified economy, including employment in government, education, and a robust high tech-sector were contributing factors in their analysis. As reported in the same article, through September 2011, Austin had regained more than half of the jobs lost between the prerecession high and post-recession low. In the third quarter of 2011, only 19 large U.S. metropolitan areas, including Austin, had a quarterly output growth rate of at least 0.8% which is indicative of a sustained economic recovery. Austin's unemployment rate ended 2011 at 6.3% in December, down from 6.9% in December 2010; the State and National unemployment rates in December 2011 were 7.4% and 8.5%, respectively.

As reported to Council during the fiscal year 2012 budget process, housing sales have remained stable and median home sales prices have increased 5.3% since June 2010, a reflection of the area's positive job growth. Sales tax revenue has shown positive growth over the past two fiscal years. Fiscal year 2011 experienced a 4.4% increase over fiscal year 2010, which was a 3.5% increase over the previous fiscal year. During 2011, Austin-Bergstrom International Airport (ABIA) passenger activity experienced a record high of more than 9 million travelers, a 5% increase over 2010. For the sixth consecutive year, ABIA was highly ranked for customer service, ranking fourth among airports in North America, regardless of size, by Airport Council International's 2011 Airport Service Quality (ASQ) passenger survey. ABIA's consistently high ASQ ranking earned the airport a place in the first Airport Council International's Director General's Roll of Excellence. Only 14 airports in the world received this recognition.

Austin continues to be a destination for both business and recreational activities. The Austin metropolitan area is consistently recognized as among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. Austin is known around the world as the "Live Music Capital of the World". In March 2011, South by Southwest (SXSW) hosted its 25th annual music festival, conference, and trade show, providing a unique convergence of original music, independent films, and emerging technologies. According to economic impact analysis posted on the SXSW website and prepared by Greyhill Advisors, the festival was responsible for injecting more than $167 million into the Austin economy.

In January 2012, Austin was named to the Top Seven List of Intelligent Communities for 2012 by the Intelligent Community Forum, a think tank that studies the economic and social development of the 21st Century community. Austin's selection came as a result of its commitment to utilize information and communication technologies in innovative ways that serve the community to address workforce challenges.

The City of Austin Economic Growth and Redevelopment Services Office received three Excellence in Economic Development Awards for communities with populations over 500,000 from the International Economic Development Council (IEDC). The awards are for the Small Business Development Program (SBDP) in the category of Entrepreneurship, Independent Business Investment Zone (IBIZ) District in the category of Neighborhood Development Initiatives, and the 2nd Street District in the category of Public-Private Partnerships.

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

10 Best Cities to Find a Job *Ajilon Professional Staffing – March 2011*	Best-Performing Cities 2011, Where America's Jobs are Created and Sustained *Milken Institute – December 2011*
America's Best Cities for Young Adults *Forbes – December 2010*	The 10 Most Popular Cities for College Grads *The Atlantic – January 2011*
America's Best and Worst Job Markets *Forbes – January 2011*	10 U.S. Cities With the Cheapest Cost of Living *Kiplinger's Personal Finance Magazine – June 2011*
Tracking Economic Recession and Recovery in America's 100 Largest Metropolitan Areas *The Brookings Institution – December 2011*	The Next Biggest Boom Towns in the U.S. *Forbes – July 2011*
Only 13 of Top 100 U.S. Metros Have Bounced Back from Recession *The Business Journals On Numbers – February 2012*	The 10 Hottest Spots to Start a Small Business (Austin ranked number 1) *The Fiscal Times – July 2011*

In 2012, Zilker Metropolitan Park received an honored designation as a Lone Star Legacy Park by the Texas Recreation and Parks Society. A Lone Star Legacy Park is classified as a park that holds special prominence in the local community and the state of Texas. To qualify for consideration, the park must have endured the test of time and become iconic to those who have visited, played, and rested on its grounds. This 351-acre park is home to a variety of recreation opportunities and special events for individuals and families.

Long-term Financial Planning

A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a planning tool to develop the following year's operating budget. The City's budgeting approach emphasizes fiscal responsibility by limiting spending in a given year to projected revenue collections.

Due to successful conservation efforts, Austin Water Utility pumps 50 gallons less water per capita per day than it did in 1995. It is projected that the typical residential customer's average monthly water usage will decrease by 6.5% in the future. With 80% of the utility's costs fixed and less than 20% of fixed revenues, this can inhibit the utility's ability to cover costs during extreme weather or economic events. To help improve the financial position, the Water and Wastewater Utility is implementing a 5.1% combined water and wastewater rate increase in fiscal year 2012 and a new fixed Water Sustainability Fee that strengthens the future financial health and stability of the utility.

On November 2, 2010, Austin voters approved a $90 million bond program designed to enhance mobility in the region. Over the next two years, this bond program will invest in streets, sidewalks, bike paths, trails, and transit infrastructure in all parts of Austin. The City Council established the Bond Oversight Committee to ensure efficiency, equity, timeliness, and accountability in the implementation of the 2006 and 2010 bond programs, as well as all future bond programs. The City has also formed a Bond Election Advisory Task Force to make recommendations to the City Council regarding a potential bond package to present to the voters for approval in November 2012.

In August 2011, all three major U.S. financial rating agencies reaffirmed Austin's "AAA" long-term general obligation debt rating, the highest attainable bond rating, with a stable outlook. Standard and Poor's report noted that key factors supporting the "AAA" rating included Austin's strong and diverse economic base, strong financial management and moderate overall debt levels. Fitch Ratings noted that one of the key factors driving affirmation of the "AAA" rating was due to consistently sound financial performance, stable taxable values, a resilient regional economy and a moderate debt profile. Moody's Investors Services, Inc. described Austin's financial policies, expenditure controls, and conservative budget practices as "favorable factors considered in the rating".

In June 2012, following an 18-year period with no change in its base electric rates, City Council approved a system average 7% rate increase for Austin Energy which will be reflected on electric bills beginning October 2012. The increase is anticipated to provide Austin Energy an additional $71 million in base revenue annually. The City Council plans to further assess rate adjustment needs in 2014. After the 2014 review, it is expected that rates will be reexamined every five years. The City Council also reaffirmed that future rate increases should not exceed 2% a year and that Austin Energy rates remain in the lower 50% among Texas electric utilities.

Budgetary Information

The fiscal year 2012 Approved Budget totals $2.8 billion and includes $690.2 million for the General Fund to provide public safety, health, library, parks, and other needed services to the Austin community. It is a structurally balanced budget, maintaining the high quality core services that our residents expect and contribute to Austin's top ranked quality of life.

The 2012 Budget was developed in a manner true to the City's unwavering commitment to openness, transparency, and public engagement. The City's Budget is organized around activities and services. The budget development process integrates the City's finances with business planning, performance measurement, and resident input, thereby elevating budget discussions to meaningful conversations about outcomes that impact our residents. Input was gathered and evaluated to address the many issues, concerns, and priorities identified by Austin's citizens, employees, and Councilmembers. Those top priorities, identified through public engagement efforts, are addressed in the fiscal year 2012 Budget and include enhanced funding for public safety, health and human services, parks and recreation, energy reliability, and water quality.

The fiscal year 2012 Approved Budget was passed with an increase to the property tax rate of 2.4 cents, from 45.71 to 48.11 cents per $100 of taxable value. Included in the approved budget are moderate pay increases for employees; a 2% wage adjustment for all civilian employees and a 3% wage adjustment for uniformed personnel based on the approved contract terms. Also included in the fiscal year 2012 Budget is the addition of 49 new police officers and the annualized cost of 42 new paramedic positions and 10 new firefighters added during the previous fiscal year. The fiscal year 2012 Budget authorizes the use of approximately $11 million of the budget stabilization reserves to address capital replacement and other critical needs. The Approved Budget projects budget stabilization reserves of $36.2 million at the end of fiscal year 2012.

Austin includes several enterprise activities, including a municipal owned electric utility, water/wastewater utility, airport, and other miscellaneous operations. The City's largest enterprise department, Austin Energy, is the ninth largest municipal-owned electric utility in the United States in terms of customers served. Austin Energy serves more than 400,000 customers with a service territory of approximately 437 square miles and an approved budget for fiscal year 2012 of $1.14 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and renewable energy sources. Austin Energy's capital improvement spending plan of $220.4 million includes projects for the System Control Center, Holly Power Plant decommissioning, Customer Information Billing System replacement, new substations, and various generation unit improvements.

The City's enterprise activities also include the Austin Water Utility, which provides water and wastewater services to nearly 212,000 customers within Austin and surrounding areas. The fiscal year 2012 budget projects revenues from the sale of water and wastewater service and other revenue to be $463.4 million. Other enterprise funds and their fiscal year 2012 revenue budgets include Aviation of $98.1 million and the Convention Center – all funds combined of $54.7 million.

Major Initiatives

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

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

PRIDE. In order to achieve Austin's vision to be the most livable City in the country, Austin's city government has made it its mission to be the best-managed city in the country. The City Manager is committed to creating an environment that fosters creative thinking and innovation by the workforce to tackle challenges today and in the future. City employees take enormous pride in their work. PRIDE reflects the City's core values of public service and how employees relate to customers and each other. Being "best managed" means everybody in the organization is providing the best service possible to the community. The elements of PRIDE are as follows:

- Public Service & Engagement – We will partner with one another and with our community to provide the best service possible.
- Responsibility & Accountability – We take responsibility for achieving results and hold ourselves accountable for our actions.
- Innovation & Sustainability – We actively seek out good ideas that have a lasting, positive impact on our work, our community and our environment.
- Diversity & Inclusion – We recognize and respect a variety of perspectives, experiences and approaches that will help us achieve our organizational goals.
- Ethics & Integrity – Our actions will maintain the trust and confidence of the public and the organization. The City's Finance and Administrative Services mission is to maintain the financial integrity of the City.

Energy Efficiency. The U.S. Environmental Protection Agency (EPA) has awarded Austin Energy a 2012 ENERGY STAR Sustained Excellence Award in recognition of its continued leadership and achievement in the delivery of energy efficiency services to its customers. It is the eighth year in a row that Austin Energy has been recognized by ENERGY STAR for continued excellence in helping residential customers reduce their energy use and lower their bills by making their homes more energy efficient. Over the last five years, some 13,000 Austin Energy residential customers used rebates or loans to make energy efficiency improvements such as replacing air conditioners, adding insulation or sealing ducts. Combined, those customers reduced their energy use by 26 million kilowatt-hours of electricity for annual savings of $2.6 million.

Innovative. In October 2010, the City unveiled Austin Finance Online, a one-stop web-based portal containing financial documents, Online Contract Catalog, Vendor Connection, eCheckbook, and other financial information of the City. The Online Contract Catalog is a service that provides details on each of the City's active purchasing contracts; Vendor Connection is a public clearinghouse to view detailed information about current business opportunities with the City. eCheckbook shares the City's payment register information in an interactive, user friendly format. Through eCheckbook, citizens can search the City's payment records, download reports and drilldown into transaction-level details. Recognizing the City's efforts in achieving the highest standards in financial transparency, the Texas State Comptroller awarded this site the Gold Level Leadership Circle Award.

ARRA. In 2009, the City established a Recovery Office to coordinate the City's efforts with other entities in applying for and reporting on funding received through the American Recovery and Reinvestment Act (ARRA). The City has successfully pursued various ARRA funding opportunities in areas ranging from transportation to energy to health care. At year end, the City had been awarded $86.6 million either directly or as pass-through funds with a total of 81% of those funds being obligated. In fiscal year 2011, the City received $1.2 million in new funding to add solar power to the George Washington Carver Museum, establish a public computing center for job seekers at the Carver Library, convert 60 City fleet vehicles from unleaded gasoline to propane and test 14 plug-in hybrid Ram1500 Crew Cab vehicles for 3 years. The City also received extra funds for on-going programs. In addition, four grants were completed including the three S.T.O.P. Violence Against Women grants awarded to the Police Department and the Public Works grant for the Loop 360 Bike and Pedestrian Improvements.

Financial Policies

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

Independent Auditors

The financial data listed as fiscal year 2013 herein has been derived from the unaudited internal records of the City. The City's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report which contains an explanatory paragraph regarding the City's implementation of GASB Statement 54, which addresses fund balance reporting and governmental fund type definitions.

Internal Controls

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

Budgetary Control

The annual operating budget is proposed by the City Manager and approved by the City Council after public discussion. Annual updates to the Capital Improvements Program budgets follow a similar process. Primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. As demonstrated by the statements and schedules included in the City's 2011 CAFR, the City continues to meet its responsibility for sound financial management.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report that meets the GFOA program standards. GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2010 CAFR. A Certificate of Achievement is valid for a period of one year only. City management believes that this 2011 CAFR conforms to the Certificate of Achievement Program requirements, and the City has submitted it to GFOA for review.

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

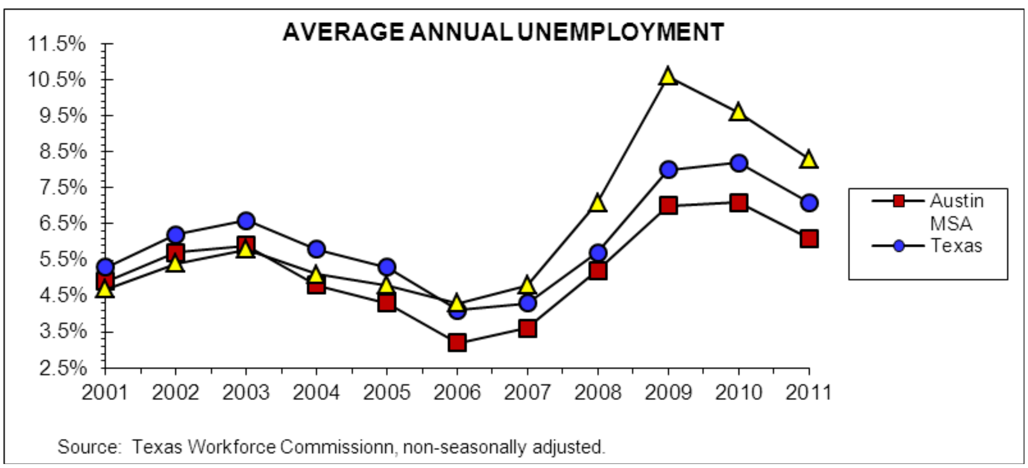
Employment by Industry in the Austin Metropolitan Area (a)

Employment Characteristics

Industrial Classification	2007	% of Total	2008	% of Total	2009	% of Total	2010	% of Total	2011	% of Total
Manufacturing	60,600	7.9%	55,000	7.0%	49,500	6.5%	47,300	6.2%	50,900	6.4%
Government	158,400	20.8%	163,700	21.0%	167,900	22.1%	170,500	22.2%	167,400	20.9%
Trade, transportation & utilities	159,800	21.0%	163,700	21.0%	152,500	20.1%	134,200	17.5%	142,600	17.8%
Services and miscellaneous	290,100	38.0%	300,500	38.5%	304,000	40.0%	333,200	43.5%	354,500	44.4%
Finance, insurance and real estate	45,200	5.9%	47,200	6.0%	43,900	5.8%	42,300	5.5%	45,300	5.7%
Natural resources, mining & construction	49,200	6.4%	50,800	6.5%	42,000	5.5%	39,000	5.1%	38,600	4.8%
Total	763,300	100.0%	780,900	100.0%	759,800	100.0%	766,500	100.00%	782,200	100.00%

(a) Austin-Round Rock MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically; data contained herein is the latest provided. Based on calendar year.
Source: Texas Labor Market Review, February 2012, Texas Workforce Commission.

Average Annual Unemployment Rate



	Austin MSA	Texas	U.S.
2001	4.9%	5.3%	4.7%
2002	5.7%	6.2%	5.4%
2003	5.9%	6.6%	5.8%
2004	4.8%	5.8%	5.1%
2005	4.3%	5.3%	4.8%
2006	3.2%	4.1%	4.3%
2007	3.6%	4.3%	4.8%
2008	5.2%	5.7%	7.1%
2009	7.0%	8.0%	10.6%
2010	7.1%	8.2%	9.6%
2011	6.1%	7.1%	8.3%

Note: Information is updated periodically, data contained herein is latest provided.
Source: Texas Labor Market Review, February 2012, Texas Workforce Commission.

City Sales Tax Collections (In Millions)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-08	$11.639	1-1-09	$10.864	1-1-10	$10.215	1-1-11	$11.492	1-1-12	$12.189
2-1-08	16.569	2-1-09	14.289	2-1-10	15.921(1)	2-1-11	16.149	2-1-12	16.923
3-1-08	12.109	3-1-09	10.528	3-1-10	10.736	3-1-11	11.117	3-1-12	11.762
4-1-08	11.355	4-1-09	9.724	4-1-10	10.290	4-1-11	10.312	4-1-12	11.838
5-1-08	13.882	5-1-09	12.612	5-1-10	14.145	5-1-11	14.022	5-1-12	15.239
6-1-08	12.185	6-1-09	11.213	6-1-10	11.533	6-1-11	11.941		
7-1-08	12.129	7-1-09	10.752	7-1-10	11.569	7-1-11	11.924		
8-1-08	14.486	8-1-09	13.495	8-1-10	12.799	8-1-11	14.387		
9-1-08	12.349	9-1-09	10.673	9-1-10	11.427	9-1-11	11.307		
10-1-08	11.781	10-1-09	11.037	10-1-10	11.562	10-1-11	13.385 (2)		
11-1-08	13.595	11-1-09	12.419	11-1-10	13.347	11-1-11	13.873		
12-1-08	12.190	12-1-09	11.165	12-1-10	11.216	12-1-11	12.004		

(1) Includes a $1.5 million one-time sales tax correction.
(2) Collections for 10-1-11 reflect an increase of $1,162,541 in future period and audit collection adjustments from the prior year. A similar adjustment is not expected to occur in 2012.

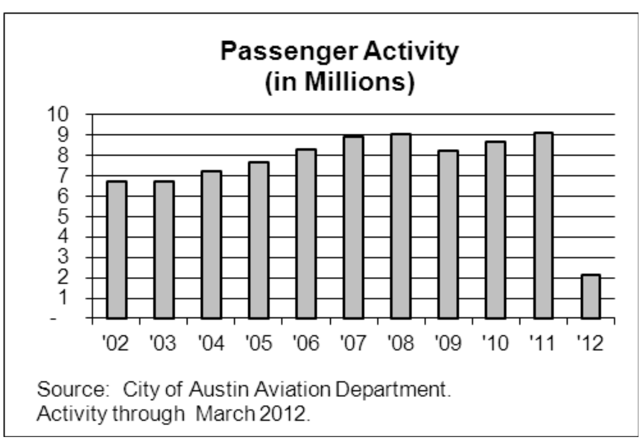
Source: City of Austin, Budget Office.

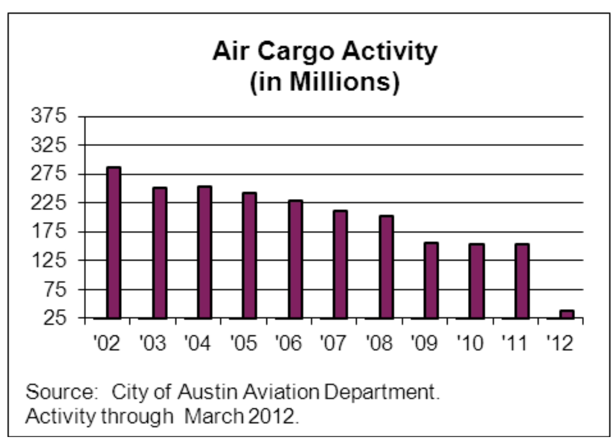
Ten Largest Employers (As of September 30, 2011)

Employer	Product or Service	Employees
State Government	State Government	37,818
The University of Texas at Austin	Education	22,956
Dell Computer Corporation	Computers	14,000
City of Austin	City Government	11,997
Austin Independent School District	Education	11,736
Seton Healthcare Network	Healthcare	11,601
Federal Government	Government	11,000
HEB Grocery	Grocery/Retail	10,263
St. David's Healthcare Partnership	Healthcare	7,100
IBM Corporation	Computers	6,239

Source: 2011 Comprehensive Annual Financial Report.

Transportation





Austin-Bergstrom International Airport

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

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

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

Demographic and Economic Statistics - Last Ten Years

Year	City of Austin Population (1)	Area of Incorporation (Square Miles) (1)	Population MSA (2)	Income (MSA) (thousands of dollars) (2)	Median Household Income MSA (3)	Capita Personal Income MSA (2)	Unemployment Rate (MSA) (4)
2002	671,044	273	1,355,241	$41,908,425	$47,089	$30,923	5.9%
2003	674,719	276	1,385,723	43,104,097	41,909	31,106	6.0%
2004	683,551	291	1,423,161	46,134,871	39,227	32,417	5.1%
2005	695,881	294	1,464,563	51,058,588	40,335	34,863	4.5%
2006	714,237	296	1,528,958	56,105,872	40,888	36,695	4.2%
2007	732,381	297	1,577,856	59,924,200	42,263	37,978	3.7%
2008	746,105	298	1,633,870	64,411,889	46,340	39,423	4.4%
2009	770,296	302	1,682,338	64,014,645	47,520	38,051	6.9%
2010	778,560	306	1,728,307	66,936,889	48,460	38,730	7.1%
2011	805,662	308	1,773,675 (6)	68,258,303 (5)	46,689	38,484 (5)	7.5%
2002-2011 Change	20.06%	12.78%	30.88%	62.87%	(0.85)%	24.45%	

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

(1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
(2) Source: Bureau of Economic Analysis for all years except 2011.
(3) Source: Claritas, a Nielson Company.
(4) Source: Bureau of Labor Statistics; United State Department of Labor as of September 30.
(5) Data not available for 2011. Figures are estimated.
(6) Source: Claritas, a Nielson Company that historically reports less than the final numbers from the Bureau of Economic Analysis.

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

Connections and Permits

	Utility Connections			Building Permits		
Year	Electric	Water	Gas	Taxable	Federal, State and Municipal	Total
2001	349,671	178,608	172,177	$1,625,508,854	$71,189,116	$1,696,697,970
2002	359,358	182,977	193,278	1,261,868,130	38,727,017	1,300,595,147
2003	363,377	184,659	199,042	1,189,489,091	17,084,652	1,206,573,743
2004	369,458	188,441	203,966	1,280,385,298	20,533,975	1,300,919,273
2005	372,735	192,511	207,686	1,405,871,887	40,484,950	1,446,356,837
2006	380,696	197,511	213,009	2,353,171,746	16,526,040	2,369,697,786
2007	388,626	199,671	188,101	2,529,648,915	14,272,851	2,543,921,766
2008	396,791	206,695	198,718	1,468,699,801	4,099,000	1,472,798,801
2009	407,926	209,994	208,232	834,498,480	6,988,999	841,487,479
2010	419,355	210,901	204,823	1,413,989,503	4,252,978	1,418,242,481
2011	418,968	212,754	213,365	745,909,589	2,812,350	748,721,939

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

Housing Units

The average two-bedroom apartment in the Austin MSA was $899 per month, with an occupancy rate of 95% for the first quarter 2012, per Austin Investor Interests, LLC.

Residential Sales Data

Year	Number of Sales	Total Volume	Average Price
2002	18,716	$3,695,947,381	$197,475
2003	19,793	3,899,018,519	196,990
2004	22,567	4,487,464,528	198,851
2005	26,905	5,660,934,916	210,405
2006	30,278	6,960,536,304	229,888
2007	28,047	6,910,684,916	246,397
2008	22,438	5,470,241,896	243,783
2009	20,747	4,924,240,373	237,347
2010	19,872	4,906,445,110	246,792
2011	21,192	5,332,738,945	251,600

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
2002	77.1%
2003	76.7%
2004	80.8%
2005	84.2%
2006	87.5%
2007	85.6%
2008	80.6%
2009	77.7%
2010	80.0%
2011	82.7%

Source: Oxford Commercial.

Education

The Austin Independent School District had an enrollment of 86,724 for the 2011/2012 school year. The District includes 110 campus buildings.

School Year	Average Daily Membership	Average Daily Attendance
2001/02	76,347	71,638
2002/03	77,009	72,494
2003/04	77,313	73,085
2004/05	77,937	73,572
2005/06	79,500	74,860
2006/07	82,063	74,212
2007/08	82,739	74,622
2008/09	83,730	75,606
2009/10	84,996	76,658
2010/11	85,273	80,198
2011/12	86,724	79,087

Source: Austin Independent School District.

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

The University of Texas at Austin had total enrollment of 51,112 for the fall semester of 2011 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

Tourism

The impact of tourism on the Austin economy is significant. There are more than 257 hotels available within the Austin Metropolitan Area and year to date occupancy through March 2012 is 68.2%.

Existing City convention and meeting facilities include a Convention Center, which is supported by hotel/motel occupancy tax collections and revenues of the facility and the new Lester E. Palmer Events Center with 70,000 square feet of exhibit space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center, the Austin Music Hall, and The Long Center for Performing Arts. The Texas Exposition and Heritage Center offers 6,000 seat arena seating and 20,000 square feet of banquet/exhibit hall facilities. The Austin Music Hall has a concert seating capacity of 3,000 and 32,000 square feet of exhibit space. The Long Center for the Performing Arts, a $77 million venue, opened in March 2008. The Center contains two theaters; the 2,300-seat Michael and Susan Dell Hall and the flexible 240-seat Debra and Kevin Rollins Studio Theater. This venue belongs to the City, while a private nonprofit operates the building. The Austin City Limits Live at The Moody Theater is a state-of-the-art, 2,700+ person capacity live music venue that also serves as the home of the KLRU-TV produced PBS program Austin City Limits, the longest running music series in American television history. The venue hosts 60-100 concerts a year. Additionally, the University of Texas Darrel K. Royal-Texas Memorial Stadium was recently expanded to a seating capacity of 100,119.

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

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX B

ANNUAL FINANCIAL REPORT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Deloitte.

Deloitte & Touche LLP
Suite 1700
400 West 15th Street
Austin, TX 78701-1648
USA

Tel: 1+ 512 691 2300
Fax: 1+ 512 708 1035
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2011 and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, the City implemented Government Accounting Standards Board (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the beginning fund balance or net assets to reflect the retrospective impact of adopting GASB Statement No. 54.

Management's Discussion and Analysis, the General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual-Budget Basis, the Retirement Plans – Trend Information, and the Other Post-Employment Benefits – Trend Information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

March 30, 2012

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 59.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

The assets of the City exceeded its liabilities at the end of the fiscal year 2011, resulting in $4.5 billion of net assets. Net assets associated with governmental activities are approximately $1.5 billion, or 33% of the total net assets of the City. Net assets associated with business-type activities are approximately $3 billion, or 67% of the total net assets of the City. The largest portion of net assets consists of investment in capital assets, net of related debt, which is $3.6 billion, or 80% of total net assets.

Unrestricted net assets, which may be used to meet the City's future obligations, are $274.1 million, or 6.1% of the City's total net assets. Unrestricted net assets for governmental activities are a deficit of $164.1 million, while unrestricted net assets for business-type activities are approximately $438.2 million, or 14.4% of total business-type net assets. The deficit in governmental unrestricted net assets is largely due to the recognition of $234.0 million in other post employment benefit liabilities for governmental activities.

During fiscal year 2011, total net assets for the City of Austin increased $65.4 million or 1.5%. Of this amount, governmental activities decreased $65.9 million, or 4.2% from the previous year and business-type activities increased $131.3 million, or 4.5% from the previous year.

Total revenues for the City increased $225.3 million; revenues for governmental activities increased $7.0 million; revenues for business-type activities increased $218.3 million. Total expenses for the City increased $148.6 million; expenses for governmental activities increased $48.6 million; expenses for business-type activities increased $100.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

a -- Government-wide financial statements

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

- The ***Statement of Net Assets*** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.

- The ***Statement of Activities*** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

b -- Fund financial statements

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

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

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

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

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

c -- Notes to the financial statements

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

d -- Other information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net assets

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

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	$ 573,550	606,064	1,105,313	1,094,991	1,678,863	1,701,055
Capital assets	2,423,967	2,372,210	6,748,854	6,576,192	9,172,821	8,948,402
Other noncurrent assets	15,022	10,566	941,962	848,606	956,984	859,172
Total assets	3,012,539	2,988,840	8,796,129	8,519,789	11,808,668	11,508,629
Deferred outflows of resources	--	--	186,369	212,884	186,369	212,884
Current liabilities	246,696	279,013	519,251	618,289	765,947	897,302
Noncurrent liabilities	1,275,299	1,151,279	5,418,451	5,202,364	6,693,750	6,353,643
Total liabilities	1,521,995	1,430,292	5,937,702	5,820,653	7,459,697	7,250,945
Deferred inflows of resources	--	--	7,076	7,710	7,076	7,710
Net assets:						
Invested in capital assets, net of related debt	1,562,046	1,544,834	2,048,964	1,998,753	3,611,010	3,543,587
Restricted	92,650	71,716	550,516	502,211	643,166	573,927
Unrestricted (deficit)	(164,152)	(58,002)	438,240	403,346	274,088	345,344
Total net assets	$ 1,490,544	1,558,548	3,037,720	2,904,310	4,528,264	4,462,858

In the current fiscal year, total assets increased $300.0 million and deferred outflows of the City decreased by $26.5 million. Total liabilities increased $208.8 million and deferred inflows decreased by $0.6 million. Governmental-type total assets increased by $23.7 million and business-type increased by $276.3 million, while governmental-type liabilities increased by $91.7 million and business-type increased by $117.0 million.

Significant factors in the increase of governmental total assets include a decrease in cash and investments of $22.0 million and an increase in capital assets of $51.8 million. Factors in the increase of governmental-type liabilities include increases in the pension obligation payable of $8.7 million, other post employment benefits of $64.6 million, and bonds payable of $38.6 million.

Significant factors in the increase of business-type total assets include an increase in capital assets of $172.7 million. Significant factors in the increase in total liabilities include increases in commercial paper notes payable of $104 million and other post employment benefits payable of $48.5 million.

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $4.5 billion at the end of the current fiscal year. However, the largest portion of the City's net assets are invested in capital assets, net of related debt (e.g. land, building, and equipment), which are $3.6 billion, or 80% of the total amount of the City's net assets. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, $643.2 million of the City's net assets, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance, $274.1 million of unrestricted net assets, may be used to meet the government's future obligations. Unrestricted net assets decreased $71.3 million in the current fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for business-type activities. However, governmental activities report a deficit of $164.2 million for unrestricted net assets.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in net assets

Total net assets of the City increased by $65.4 million in the current fiscal year. Governmental net assets decreased by $65.9 million after restatement (see Note 16). The decrease is attributable to expenses exceeding revenues by $163.0 million before transfers from other funds of $97.1 million. Business-type net assets increased by $131.3 million after restatement (see Note 16) due to revenues exceeding expenses by $228.4 million, before transfers to other funds of $97.1 million.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	$ 101,735	109,136	2,019,742	1,814,907	2,121,477	1,924,043
Operating grants and contributions	66,348	66,831	--	--	66,348	66,831
Capital grants and contributions	51,182	50,546	47,850	31,703	99,032	82,249
General revenues:						
Property tax	355,185	341,812	--	--	355,185	341,812
Sales tax	151,125	144,710	--	--	151,125	144,710
Franchise fees and gross receipts tax	95,029	87,996	--	--	95,029	87,996
Interest and other	19,364	31,960	11,274	13,935	30,638	45,895
Total revenues	839,968	832,991	2,078,866	1,860,545	2,918,834	2,693,536
Program expenses:						
General government	99,780	89,315	--	--	99,780	89,315
Public safety	485,611	455,760	--	--	485,611	455,760
Transportation, planning and sustainability	74,835	65,565	--	--	74,835	65,565
Public health	61,865	63,215	--	--	61,865	63,215
Public recreation and culture	106,488	91,732	--	--	106,488	91,732
Urban growth management	129,258	143,884	--	--	129,258	143,884
Interest on debt	45,154	44,889	--	--	45,154	44,889
Electric	--	--	1,136,850	1,086,470	1,136,850	1,086,470
Water	--	--	178,712	169,708	178,712	169,708
Wastewater	--	--	170,514	166,979	170,514	166,979
Airport	--	--	102,774	92,780	102,774	92,780
Convention	--	--	54,231	51,818	54,231	51,818
Environmental and health services	--	--	91,151	66,380	91,151	66,380
Public recreation	--	--	5,209	9,715	5,209	9,715
Urban growth management	--	--	110,996	106,618	110,996	106,618
Total expenses	1,002,991	954,360	1,850,437	1,750,468	2,853,428	2,704,828
Excess (deficiency) before transfers	(163,023)	(121,369)	228,429	110,077	65,406	(11,292)
Transfers	97,100	96,031	(97,100)	(96,031)	--	--
Increase (decrease) in net assets	(65,923)	(25,338)	131,329	14,046	65,406	(11,292)
Beginning net assets, as previously reported	1,558,548	1,583,886	2,904,310	2,886,129	4,462,858	4,470,015
Restatement adjustment	(2,081)	--	2,081	4,135	--	4,135
Beginning net assets, as restated	1,556,467	1,583,886	2,906,391	2,890,264	4,462,858	4,474,150
Ending net assets	$ 1,490,544	1,558,548	3,037,720	2,904,310	4,528,264	4,462,858

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

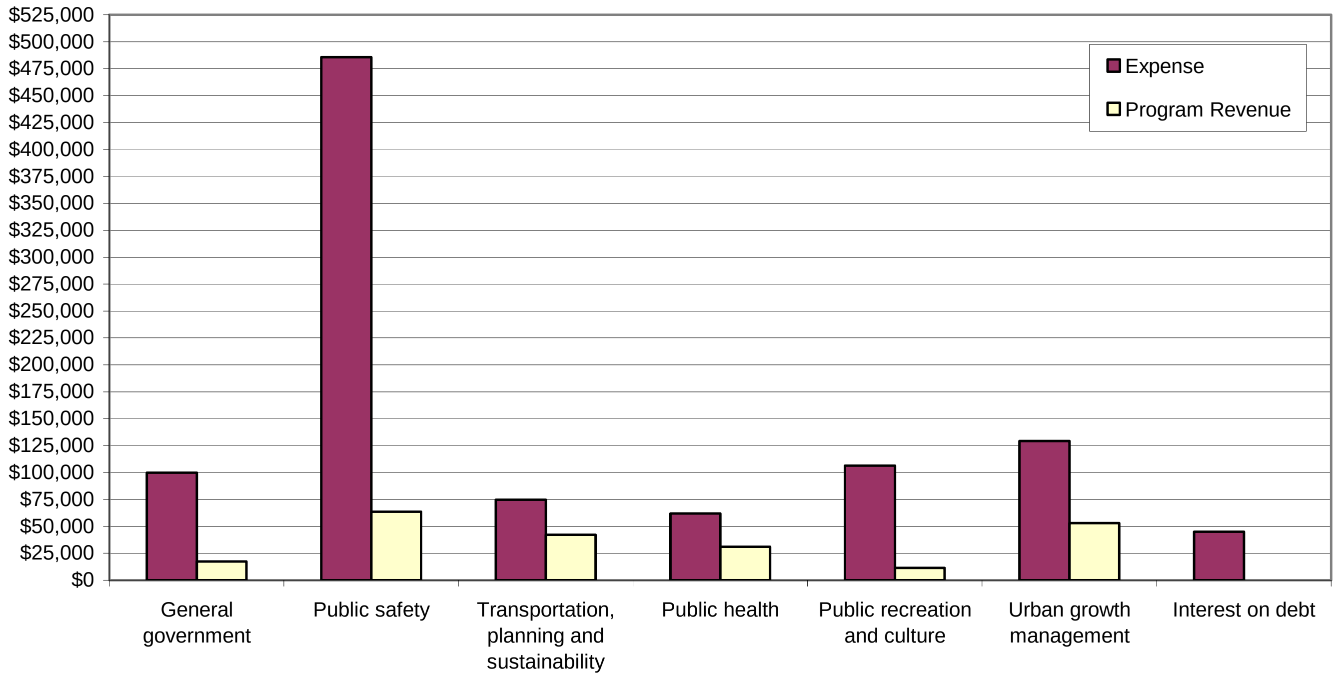
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net assets by $65.9 million in fiscal year 2011, a 4.24% decrease of governmental net assets from the previous year. Key factors for the change from fiscal year 2010 to 2011 are as follows:

- The City's property tax revenue increased by $13.4 million from the previous year as a result of an increase in assessed property values and an increase in the City's tax rate from 42.09 cents to 45.71 per $100 valuation.
- Sales tax collections for fiscal year 2011 were $6.4 million more than fiscal year 2010. Franchise fees and gross receipts taxes increased $7.0 million due largely to an increased service area for cable franchise fees.
- General government expenses increased $10.5 million primarily due to increases in other post employment benefits expenses and increases to payments to internal service funds for services provided. Public safety expenses increased $29.9 million primarily due to increase in salaries, public recreation and culture expenses increased $14.8 million due to increases in salaries and capital outlay expenses, and urban growth management expenses decreased $14.6 million primarily as a result of the implementation of GASB Statement No. 54.

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

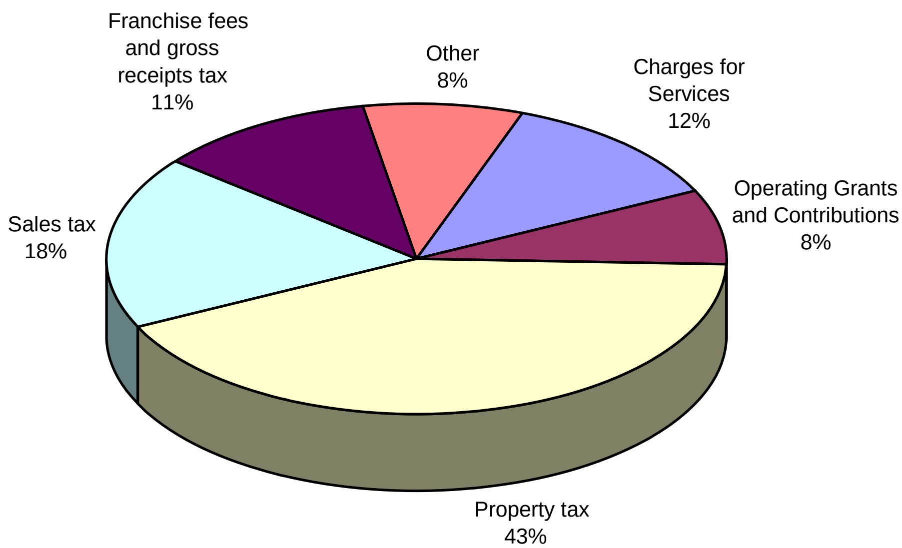
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

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

Government-wide Revenues by Source -- Governmental Activities



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

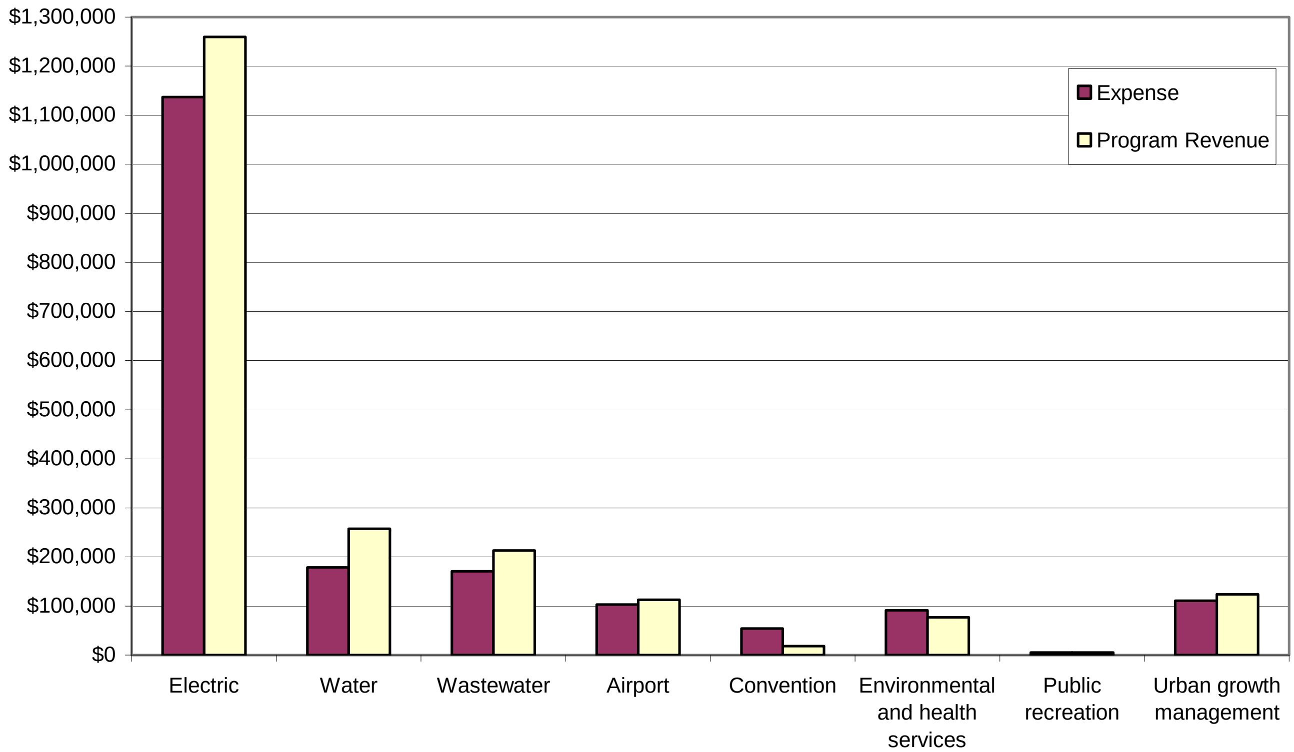
Business-type activities increase the City's net assets by approximately $131.3 million, accounting for a 2.9% increase in the City's total net assets. Key factors include:

- Austin Energy net assets increased approximately $28.5 million. Revenues increased 8.8% largely due to higher electric sales (base) due to above normal temperatures. Implementation of a Transmission Rider and higher fuel revenue was another major contribution. Expenses increased 5.1% primarily due to higher fuel costs, particularly in the summer months.
- Austin Water Utility net assets increased approximately $85.7 million. Revenues increased 24.2% due primarily to fee increases and the severe drought experienced during the year. Water revenue for 2011 increased by approximately 41.9% and Wastewater revenue increased 8.2% from prior year.
- Airport net assets increased approximately $10.4 million. Revenues increased 7.5% due to an increase in passenger traffic and expenses increased 4.9% due mainly to wage and benefit increases.
- Convention net assets increased approximately $2.4 million. Revenues and transfers from the Hotel Occupancy Tax Fund increased 20.1% due in part to the Texas State Legislature being in session during 2011. Expenses increased due to increases in operations and maintenance costs.
- Environmental activities are comprised of the Solid Waste Services nonmajor enterprise fund. Net assets decreased by approximately $13.8 million. This decrease is primarily attributed to a reduction in the accrual of environmental remediation costs during the year.
- Public recreation activities are comprised of nonmajor enterprise funds that include the Golf Fund and Parks and Recreation Fund. Net assets increased by $168 thousand. This net increase is a result of a combination of wage and benefit increases, debt service requirements, and the transfer of assets and liabilities of the Parks and Recreation Fund to governmental activities.
- Urban growth management activities are comprised of nonmajor enterprise funds that include the Drainage Fund and Transportation Fund. Net assets increased by approximately $21.9 million. Drainage revenues increased 2.3% primarily from customer growth due to development and annexations. Drainage expenses increased 4.3% due mainly to infrastructure and waterway maintenance. Transportation Fund revenues increased approximately 12.2% primarily due to increased license and permit fees and increased parking meter and pay station revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

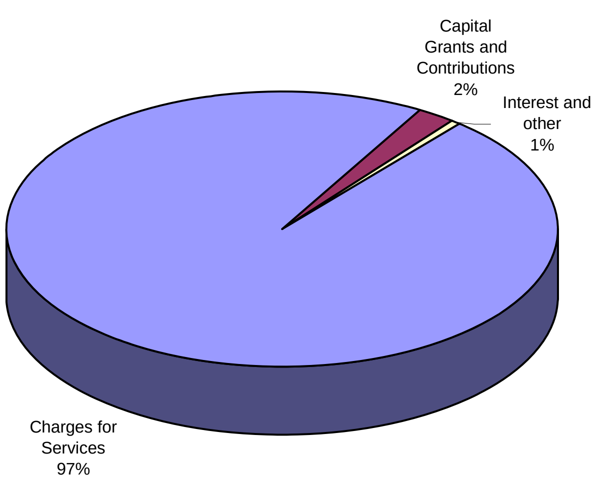
As shown in the following chart, the electric utility, with expenses of $1.14 billion is the City's largest business-type activity, followed by water ($179 million), wastewater ($171 million), urban growth management ($111 million), airport ($103 million), environmental ($91 million), convention ($54 million), and public recreation ($5 million). For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention, environmental, and public recreation.

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



For all business-type activities, charges for services provide the largest percentage of revenues (97%), followed by capital grants and contributions (2%), and interest and other revenues (1%).

Government-wide Revenue by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

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

a -- Governmental funds

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

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of $369.3 million, a decrease of $1.1 million from the previous year. Approximately $2.1 million is nonspendable, $175.5 million is restricted, $29.3 million is committed, $80.0 million is assigned, and $82.4 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported nonspendable fund balance of $1.1 million, committed fund balance of $3.1 million, assigned fund balance of $11.0 million, and unassigned fund balance of $119.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.2% of total General Fund expenditures of $654.3 million, and total fund balance represents 20.5% of expenditures. The City's financial policies provide that surplus fund balance be indentified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance indentified for budget stabilization was $60.5 million. The balance indentified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total indentified amount, with the other two-thirds indentified for budget stabilization in future years.

The fund balance of the General Fund increased $25.5 million during the fiscal year. Significant differences from the previous year include:

- Beginning fund balance increased $19.3 million as result of the implementation of GASB Statement No. 54 (see Note 16).
- Property tax revenues increased $15.6 million due to an increase in assessed property values and the City's property tax rate increased from 42.09 cents to 45.71 cents per $100 valuation.
- Sales tax revenues increased $6.4 million, and licenses, permits and inspections increased $2.9 million.

General Fund expenditures increased $58.8 million, due primarily to an increase in public safety expenditures of $25.2 million, increase in public recreation and culture of $12.3 million, and increase in urban growth management of $17.1 million. The increase in public safety, public recreation and culture, and urban growth management expenditures is primarily due to increases in salaries and contractual expenditures.

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net assets of the City's enterprise funds increased by $126.6 million before consolidation of the internal service funds activities.

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

OTHER INFORMATION

a -- General Fund budgetary highlights

The original revenue budget of the General Fund was amended during the fiscal year 2011 to increase emergency medical services and public health. The original expenditure budget of the General Fund was amended during fiscal year 2011 to increase public safety and public health costs.

During the year, revenues were $10.9 million more than budgeted. Sales tax collections were $2.9 million more than budgeted.

Actual budget-basis expenditures were $7.4 million less than budgeted. General city responsibilities exceeded budget by $1.5 million; while all other departments were under budget. The total budget-basis fund balance at year-end was $121.0 million.

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2011, total $9.2 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, electric plant, non-electric plant, infrastructure, construction in progress, nuclear fuel, plant held for future use, and water rights. The total increase in the City's capital assets for the current fiscal year was $225 million (2.5%), with an increase of 2.2% for governmental activities and an increase of 2.6% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	$ 344	332	487	464	831	796
Other assets not depreciated	21	20	2	1	23	21
Building and improvements	479	442	1,076	1,068	1,555	1,510
Plant and Equipment	80	64	2,096	2,050	2,176	2,114
Vehicles	39	35	59	62	98	97
Electric plant	--	--	2,158	1,998	2,158	1,998
Nonelectric plant	--	--	124	115	124	115
Infrastructure	1,273	1,237	--	--	1,273	1,237
Construction in progress	188	242	591	667	779	909
Nuclear fuel, net of amortization	--	--	42	34	42	34
Plant held for future use	--	--	26	28	26	28
Water rights, net of amortization	--	--	88	89	88	89
Total net capital assets	$ 2,424	2,372	6,749	6,576	9,173	8,948

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

- Governmental capital assets increased $52 million primarily due to additions of new facilities and improvements to existing facilities. The Animal Services Center, Public Safety Training Facility, Avery Ranch Fire Station, BMX and Skate Park, Austin Tennis Center Expansion and Mexican American Cultural Center improvement projects were completed. Significant additions and improvements were also made to drainage systems, wildland holdings, communication equipment, and bridge infrastructure.
- Business-type activities purchased or completed construction on capital assets of $173 million. The increase was largely due to plant additions and improvements and land acquisition for Austin Energy, Austin Water Utility and Drainage fund. Austin Energy completed installation of scrubbers at the Fayette Power Project and other electric plant assets. Austin Water completed projects related to Water Treatment Plant #4, water reclamation, and water and wastewater transmission line improvements. Additionally, portions of the Hornsby Bend composting and biosolids management projects were completed. The Drainage fund acquired flood plain property and made improvements to stormwater drainage systems.

OTHER INFORMATION, continued

c -- Debt administration

At the end of the current fiscal year, the City reported $5.2 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
General obligation bonds and other tax supported debt, net	$ 938	900	132	125	1,070	1,025
Commercial paper notes, net	--	--	360	300	360	300
Revenue notes	--	--	28	28	28	28
Revenue bonds, net	--	--	3,694	3,643	3,694	3,643
Capital lease obligations	--	1	1	2	1	3
Total	$ 938	901	4,215	4,098	5,153	4,999

During fiscal year 2011, the City's total outstanding debt increased by $154 million. The City issued new debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased $37 million. The resulting net increase is a combination of the issuance of $144 million in new debt to be used primarily for street improvements, streets and signals, park improvements, and affordable housing offset by the refinancing of existing debt and debt payments during the year.
- Outstanding debt for business-type functions increased $117 million. The City issued $177.8 million of Austin Water Utility separate lien revenue refunding bonds to refund commercial paper.

During the year, the Convention Center revenue bonds received favorable bond rating upgrades from Moody's Investors Services, Inc. The Airport system revenue bonds received a favorable rating upgrade from Standard & Poor's. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2011 and 2010 are as follows:

Debt	Moody's Investors Service, Inc		Standard & Poor's		Fitch, Inc.	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes	P-1	P-1	A-1+	A-1+	F1+	F1+
Commercial paper notes - taxable	P-1	P-1	A-1+	A-1+	F1+	F1+
Utility revenue bonds - prior lien	A1	A1	AA	AA	AA-	AA-
Utility revenue bonds - subordinate lien	A1	A1	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Electric	A1	A1	A+	A+	AA-	AA-
Water and Wastewater	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	NUR(1)	NUR(1)	A	A-	NUR(1)	NUR(1)
Airport variable rate notes	NUR(1)	NUR(1)	NUR(1)	NUR(1)	NUR(1)	NUR(1)
Convention Center revenue bonds	A1	A2	A-	A-	NUR(1)	NUR(1)

(1) No underlying rating

OTHER INFORMATION, continued

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

As the national economy struggles to emerge from the recession, the local economy continues to gain strength. Sales tax revenue continued its upward trend from the 9.5 percent decline experienced in 2009. Austin saw a 3.5 percent sales tax revenue increase in 2010 and a 4.4 percent increase in 2011. Austin's diverse economic base and national reputation as a great place to work and live continues to attract talented individuals and new employment opportunities. Partnerships between the City and the business community have been the key to Austin's economic success. The City's economic development efforts have been successful in attracting new green energy, new technology firms, and jobs to Austin.

The City's 2012 budget was developed in a manner true to the City Manager's unwavering commitment to openness, transparency, and public engagement. Input from City Council, City employees, and citizens played a major role in the development of a variety of structural applications designed to positively affect our City's fiscal sustainability over the long term and present a balanced budget for City Council's review. The Austin City Council has adopted a comprehensive set of financial policies to provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the Council's priority of budget stability while at the same time maintaining affordability, investment in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings. City management continues to monitor the economy and take corrective actions to help mitigate any unfavorable economic events. The assessed taxable property values within the City increased by 4.3% in 2011. The property tax rate for fiscal year 2012 is 48.11 cents per $100 valuation, up from 45.71 cents per $100 valuation in 2011. The tax rate consists of 35.51 cents for the General Fund and 12.6 cents for debt service.

Each 1 cent of the 2011 (Fiscal Year 2012) property tax rate is equivalent to $8,092,462 of tax levy, as compared to $7,761,935 in the previous year. Fiscal Year 2012 rate increases for Austin Water Utility are 5.4% for Water and 3.6% for Wastewater for a combined increase of 4.5%. Austin Energy's customer base rates remain unchanged for Fiscal Year 2012. However, the utility is preparing for an increase in base electric rates in the short-term future. The City has contracted with 2 third-party consulting firms to conduct a financial assessment of the electric utility, as well as a separate rate review.

e -- Requests for Information

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

BASIC FINANCIAL STATEMENTS

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)
ASSETS			
Current assets:			
Cash	$ 70	67	137
Pooled investments and cash	431,170	233,332	664,502
Pooled investments and cash - restricted	--	187,551	187,551
Total pooled investments and cash	431,170	420,883	852,053
Investments, at fair value	17,165	--	17,165
Investments, at fair value - restricted	--	249,325	249,325
Cash held by trustee - restricted	1,606	97	1,703
Working capital advances	--	7,942	7,942
Property taxes receivable	14,850	--	14,850
Less allowance for uncollectible taxes	(4,498)	--	(4,498)
Net property taxes receivable	10,352	--	10,352
Accounts and other receivables	195,978	238,238	434,216
Less allowance for doubtful accounts	(108,731)	(3,273)	(112,004)
Net accounts receivable	87,247	234,965	322,212
Receivables from other governments	14,274	--	14,274
Receivables from other governments - restricted	--	13	13
Notes receivable, net of allowance of $27,194	14,026	--	14,026
Internal balances	(15,744)	15,744	--
Inventories, at cost	2,496	79,296	81,792
Real property held for resale	9,396	--	9,396
Other receivables - restricted	--	3,323	3,323
Deferred costs and expenses, net of amortization	--	58,729	58,729
Prepaid items	329	4,122	4,451
Other assets	1,163	30,807	31,970
Total current assets	573,550	1,105,313	1,678,863
Noncurrent assets:			
Cash - restricted	--	4,319	4,319
Pooled investments and cash - restricted	--	177,617	177,617
Investments, at fair value - restricted	--	165,272	165,272
Investments held by trustee - restricted	--	176,325	176,325
Interest receivable - restricted	--	1,343	1,343
Depreciable capital assets, net of accumulated depreciation	1,870,492	5,642,773	7,513,265
Nondepreciable capital assets	553,475	1,106,081	1,659,556
Derivative instruments - energy risk management	--	7,076	7,076
Net pension asset	8,055	--	8,055
Other long-term assets	--	57	57
Deferred costs and expenses, net of amortization	6,967	409,953	416,920
Total noncurrent assets	2,438,989	7,690,816	10,129,805
Total assets	3,012,539	8,796,129	11,808,668
Deferred outflows of resources	$ --	186,369	186,369

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

(Continued)

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

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)
LIABILITIES			
Current liabilities:			
Accounts payable	$ 41,144	79,411	120,555
Accounts and retainage payable from restricted assets	--	49,384	49,384
Accrued payroll	12,284	6,495	18,779
Accrued compensated absences	44,538	23,037	67,575
Claims payable	16,972	--	16,972
Accrued interest payable from restricted assets	--	94,840	94,840
Interest payable on capital appreciation bonds and other debt	3,687	734	4,421
Bonds payable	60,409	13,717	74,126
Bonds payable from restricted assets	--	171,522	171,522
Capital lease obligations payable	274	40	314
Customer and escrow deposits payable from restricted assets	--	41,735	41,735
Accrued landfill closure and postclosure costs	--	186	186
Deferred credits and other current liabilities	67,388	34,679	102,067
Other current liabilities payable from restricted assets	--	3,471	3,471
Total current liabilities	246,696	519,251	765,947
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	72,192	820	73,012
Claims payable	16,889	--	16,889
Capital appreciation bond interest payable	--	118,206	118,206
Commercial paper notes payable, net of discount	--	359,792	359,792
Revenue notes payable	--	28,000	28,000
Bonds payable, net of discount and inclusive of premium	877,719	3,641,467	4,519,186
Pension obligation payable	62,447	61,245	123,692
Other post employment benefits payable	234,018	149,174	383,192
Capital lease obligations payable	159	1,218	1,377
Accrued landfill closure and postclosure costs	--	7,323	7,323
Decommissioning liability payable from restricted assets	--	166,556	166,556
Derivative instruments - energy risk management	--	77,627	77,627
Derivative instruments - interest rate swaps	--	108,811	108,811
Deferred credits and other liabilities	11,875	691,813	703,688
Other liabilities payable from restricted assets	--	6,399	6,399
Total noncurrent liabilities	1,275,299	5,418,451	6,693,750
Total liabilities	1,521,995	5,937,702	7,459,697
Deferred inflows of resources	--	7,076	7,076
NET ASSETS			
Invested in capital assets, net of related debt	1,562,046	2,048,964	3,611,010
Restricted for:			
Debt service	13,522	107,919	121,441
Strategic reserve	--	140,529	140,529
Capital projects	27,285	175,979	203,264
Renewal and replacement	--	10,939	10,939
Bond reserve	--	71,366	71,366
Passenger facility charges	--	30,863	30,863
Operating reserve	--	12,921	12,921
Perpetual care:			
Expendable	764	--	764
Nonexpendable	1,040	--	1,040
Other purposes	50,039	--	50,039
Unrestricted (deficit)	(164,152)	438,240	274,088
Total net assets	$ 1,490,544	3,037,720	4,528,264

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

The accompanying notes are an integral part of the financial statements

Statement of Activities
For the year ended September 30, 2011
(In thousands)

City of Austin, Texas
Exhibit A-2

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities							
General government	$ 99,780	8,126	658	8,707	(82,289)	--	(82,289)
Public safety	485,611	52,998	10,098	521	(421,994)	--	(421,994)
Transportation, planning, and sustainability	74,835	3,823	1,090	37,369	(32,553)	--	(32,553)
Public health	61,865	7,592	23,593	--	(30,680)	--	(30,680)
Public recreation and culture	106,488	7,891	1,307	2,346	(94,944)	--	(94,944)
Urban growth management	129,258	21,305	29,602	2,239	(76,112)	--	(76,112)
Interest on debt	45,154	--	--	--	(45,154)	--	(45,154)
Total governmental activities	1,002,991	101,735	66,348	51,182	(783,726)	--	(783,726)
Business-type activities							
Electric	1,136,850	1,249,139	--	10,261	--	122,550	122,550
Water	178,712	243,382	--	13,964	--	78,634	78,634
Wastewater	170,514	204,666	--	8,673	--	42,825	42,825
Airport	102,774	106,978	--	5,479	--	9,683	9,683
Convention	54,231	18,486	--	13	--	(35,732)	(35,732)
Environmental and health services	91,151	75,981	--	1,027	--	(14,143)	(14,143)
Public recreation	5,209	5,260	--	150	--	201	201
Urban growth management	110,996	115,850	--	8,283	--	13,137	13,137
Total business-type activities	1,850,437	2,019,742	--	47,850	--	217,155	217,155
Total	$ 2,853,428	2,121,477	66,348	99,032	(783,726)	217,155	(566,571)
	General revenues:						
	Property tax				355,185	--	355,185
	Sales tax				151,125	--	151,125
	Franchise fees and gross receipts tax				95,029	--	95,029
	Interest and other				19,364	11,274	30,638
	Transfers-internal activities				97,100	(97,100)	--
	Total general revenues and transfers				717,803	(85,826)	631,977
	Change in net assets				(65,923)	131,329	65,406
	Beginning net assets, as restated (see Note 16)				1,556,467	2,906,391	4,462,858
	Ending net assets				$ 1,490,544	3,037,720	4,528,264

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 52	4	56
Pooled investments and cash	120,755	211,435	332,190
Investments, at fair value	--	17,165	17,165
Cash held by trustee-restricted	160	573	733
Property taxes receivable	9,522	5,328	14,850
Less allowance for uncollectible taxes	(2,941)	(1,557)	(4,498)
Net property taxes receivable	6,581	3,771	10,352
Accounts and other receivables	164,216	29,477	193,693
Less allowance for doubtful accounts	(108,472)	(259)	(108,731)
Net accounts receivable	55,744	29,218	84,962
Receivables from other governments	--	14,261	14,261
Notes receivable, net of allowance	--	14,026	14,026
Due from other funds	227	44,471	44,698
Advances to other funds	--	3,597	3,597
Inventories, at cost	862	--	862
Real property held for resale	--	9,396	9,396
Prepaid items	247	--	247
Other assets	173	990	1,163
Total assets	184,801	348,907	533,708
LIABILITIES AND FUND BALANCES			
Accounts payable	12,193	15,159	27,352
Accrued payroll	10,053	42	10,095
Accrued compensated absences	721	--	721
Due to other funds	197	44,690	44,887
Deferred revenue	22,190	6,360	28,550
Advances from other funds	1,809	474	2,283
Deposits and other liabilities	3,385	47,107	50,492
Total liabilities	50,548	113,832	164,380
Fund balances			
Nonspendable:			
Inventories and prepaid items	1,109	--	1,109
Permanent funds	--	1,040	1,040
Restricted	--	175,522	175,522
Committed	3,117	26,146	29,263
Assigned	10,992	68,949	79,941
Unassigned	119,035	(36,582)	82,453
Total fund balances	134,253	235,075	369,328
Total liabilities and fund balances	$ 184,801	348,907	533,708

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

Governmental Funds **City of Austin, Texas**
Reconciliation of the Governmental Funds Balance Sheet **Exhibit B-1.1**
to the Statement of Net Assets
September 30, 2011
(In thousands)

Total fund balances - Governmental funds		$	369,328
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Governmental capital assets	3,522,594		
Less: accumulated depreciation	(1,140,504)		
			2,382,090
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.			
Accounts and other taxes receivable	11,661		
Deferred revenue - property taxes and interest	5,728		
Deferred costs and expenses	6,955		
Net pension asset	8,055		
			32,399
Long-term liabilities are not payable in the current period and are not reported in the funds.			
Bonds and other tax supported debt payable, net	(933,553)		
Pension obligation payable	(62,447)		
Other post employment benefits payable	(234,018)		
Compensated absences	(108,452)		
Interest payable	(3,667)		
Deferred credits and other liabilities	(16,378)		
			(1,358,515)
Internal service funds are used by management to charge the costs of capital project management, combined emergency communication center, employee benefits, fleet maintenance, information systems, liability reserve, support services, wireless communication, and workers' compensation to individual funds.			
Certain assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			65,242
Total net assets - Governmental activities		$	1,490,544

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

For the year ended September 30, 2011
(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 251,852	103,410	355,262
Sales taxes	151,125	--	151,125
Franchise fees and other taxes	39,271	55,649	94,920
Fines, forfeitures and penalties	18,131	5,946	24,077
Licenses, permits and inspections	18,653	--	18,653
Charges for services/goods	44,464	10,706	55,170
Intergovernmental	--	78,250	78,250
Property owners' participation and contributions	--	6,624	6,624
Interest and other	5,096	14,174	19,270
Total revenues	528,592	274,759	803,351
EXPENDITURES			
Current:			
General government	62,867	6,157	69,024
Public safety	442,974	6,381	449,355
Transportation, planning and sustainability	232	9,751	9,983
Public health	39,678	15,830	55,508
Public recreation and culture	73,602	12,993	86,595
Urban growth management	34,991	40,874	75,865
Debt service:			
Principal	--	78,568	78,568
Interest	--	44,892	44,892
Fees and commissions	--	13	13
Capital outlay-capital project funds	--	160,682	160,682
Total expenditures	654,344	376,141	1,030,485
Deficiency of revenues over expenditures	(125,752)	(101,382)	(227,134)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	118,778	118,778
Issuance of refunding bonds	--	79,342	79,342
Bond premiums	--	14,929	14,929
Payment to refunding bond escrow agent	--	(94,271)	(94,271)
Transfers in	141,448	38,028	179,476
Transfers out	(9,487)	(60,659)	(70,146)
Total other financing sources (uses)	131,961	96,147	228,108
Net change in fund balances	6,209	(5,235)	974
Fund balances at beginning of year, as restated (See Note 16)	128,044	240,310	368,354
Fund balances at end of year	$ 134,253	235,075	369,328

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

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2011
(In thousands)

Net change in fund balances - Governmental funds		$ 974
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	124,834	
Depreciation expense	(96,502)	
Loss on disposal of capital assets	(735)	
		27,597
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.		
Property taxes	(77)	
Charges for services	(1,470)	
Interest and other	(1,076)	
Capital assets contribution	23,348	
		20,725
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	(118,778)	
Principal repayment on long-term debt	78,568	
Issuance of refunding bonds	(79,342)	
Refunding bond premiums	(14,929)	
Payment to refunding bond escrow agent	94,271	
		(40,210)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(3,997)	
Pension obligation	(5,329)	
Other post employment benefits	(64,586)	
Interest and other	1,394	
		(72,518)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		(2,491)
Change in net assets - Governmental activities		$ (65,923)

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

Proprietary Funds
Statement of Net Assets
September 30, 2011
(In thousands)

	Austin Energy (1)	Austin Water Utility (2)	Airport
ASSETS			
Current assets:			
Cash	$ 21	8	7
Pooled investments and cash	70,748	5,395	1,521
Pooled investments and cash - restricted	74,710	42,828	32,514
Total pooled investments and cash	145,458	48,223	34,035
Investments, at fair value - restricted	97,605	126,259	15,575
Cash held by trustee - restricted	--	97	--
Working capital advances	7,942	--	--
Accounts receivable	149,006	69,086	4,137
Less allowance for doubtful accounts	(1,912)	(237)	(777)
Net accounts receivable	147,094	68,849	3,360
Receivables from other governments	--	--	--
Receivables from other governments-restricted	--	--	--
Due from other funds	2,012	--	--
Inventories, at cost	75,118	1,718	1,366
Prepaid expenses	3,908	6	7
Other assets	30,807	--	--
Other receivables - restricted	1,690	365	613
Deferred costs and expenses, net of amortization	34,421	24,308	--
Total current assets	546,076	269,833	54,963
Noncurrent assets:			
Cash - restricted	4,319	--	--
Pooled investments and cash - restricted	19,542	20,298	137,777
Advances to other funds	27,787	--	--
Advances to other funds - restricted	--	--	96
Investments, at fair value - restricted	156,774	--	--
Investments held by trustee - restricted	176,325	--	--
Interest receivable - restricted	1,343	--	--
Depreciable capital assets, net of accumulated depreciation	2,334,835	2,466,448	496,963
Nondepreciable capital assets	254,742	569,924	123,560
Derivative instruments - energy risk management	7,076	--	--
Other long-term assets	57	--	--
Deferred costs and expenses, net of amortization	198,722	204,294	2,700
Total noncurrent assets	3,181,522	3,260,964	761,096
Total assets	3,727,598	3,530,797	816,059
Deferred outflows of resources	$ 77,558	38,616	51,016

(1) Prior to 2011, reported as Electric

(2) Prior to 2011, reported as Water and Wastewater

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

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS			
Current assets:			
Cash	31	67	14
Pooled investments and cash	155,668	233,332	98,980
Pooled investments and cash - restricted	37,499	187,551	--
Total pooled investments and cash	193,167	420,883	98,980
Investments, at fair value - restricted	9,886	249,325	--
Cash held by trustee - restricted	--	97	873
Working capital advances	--	7,942	--
Accounts receivable	16,009	238,238	2,285
Less allowance for doubtful accounts	(347)	(3,273)	--
Net accounts receivable	15,662	234,965	2,285
Receivables from other governments	--	--	13
Receivables from other governments-restricted	13	13	--
Due from other funds	350	2,362	11
Inventories, at cost	1,094	79,296	1,634
Prepaid expenses	201	4,122	82
Other assets	--	30,807	--
Other receivables - restricted	655	3,323	--
Deferred costs and expenses, net of amortization	--	58,729	--
Total current assets	221,059	1,091,931	103,892
Noncurrent assets:			
Cash - restricted	--	4,319	--
Pooled investments and cash - restricted	--	177,617	--
Advances to other funds	59	27,846	92
Advances to other funds - restricted	--	96	--
Investments, at fair value - restricted	8,498	165,272	--
Investments held by trustee - restricted	--	176,325	--
Interest receivable - restricted	--	1,343	--
Depreciable capital assets, net of accumulated depreciation	344,527	5,642,773	40,283
Nondepreciable capital assets	157,855	1,106,081	1,594
Derivative instruments - energy risk management	--	7,076	--
Other long-term assets	--	57	--
Deferred costs and expenses, net of amortization	4,237	409,953	12
Total noncurrent assets	515,176	7,718,758	41,981
Total assets	736,235	8,810,689	145,873
Deferred outflows of resources	19,179	186,369	--

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

(Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2011
(In thousands)

	Business-Type Activities		
	Austin Energy (1)	**Austin Water Utility (2)**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 70,210	2,677	1,777
Accounts and retainage payable from restricted assets	9,138	33,881	3,361
Accrued payroll	2,919	1,438	428
Accrued compensated absences	11,252	5,122	1,441
Claims payable	--	--	--
Due to other funds	--	--	138
Due to other funds payable from restricted assets	--	1,240	--
Accrued interest payable from restricted assets	46,306	44,720	1,807
Interest payable on capital appreciation bonds and other debt	33	42	1
Bonds payable	--	--	30
Bonds payable from restricted assets	75,850	72,057	14,165
Capital lease obligations payable	40	--	--
Customer and escrow deposits payable from restricted assets	28,409	9,409	432
Accrued landfill closure and postclosure costs	--	--	--
Deferred credits and other liabilities	11,225	22,853	601
Other liabilities payable from restricted assets	--	--	--
Total current liabilities	255,382	193,439	24,181
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	51	368	163
Claims payable	--	--	--
Advances from other funds	--	3,172	1,398
Advances from other funds payable from restricted assets	--	22,723	--
Capital appreciation bond interest payable	23,076	95,130	--
Commercial paper notes payable, net of discount	152,582	207,210	--
Revenue notes payable	--	--	28,000
Bonds payable, net of discount and inclusive of premium	1,181,276	1,905,573	268,640
Pension obligation payable	27,737	13,765	4,154
Other post employment benefits payable	62,236	37,386	10,763
Capital lease obligations payable	1,218	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	166,556	--	--
Derivative instruments - energy risk management	77,627	--	--
Derivative instruments - interest rate swaps	--	38,616	51,016
Deferred credits and other liabilities	223,182	464,409	--
Other liabilities payable from restricted assets	--	308	56
Total noncurrent liabilities	1,915,541	2,788,660	364,190
Total liabilities	2,170,923	2,982,099	388,371
Deferred inflows of resources	$ 7,076	--	--

(1) Prior to 2011, reported as Electric
(2) Prior to 2011, reported as Water and Wastewater

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	4,747	79,411	13,792
Accounts and retainage payable from restricted assets	3,004	49,384	--
Accrued payroll	1,710	6,495	2,189
Accrued compensated absences	5,222	23,037	6,975
Claims payable	--	--	16,972
Due to other funds	665	803	141
Due to other funds payable from restricted assets	--	1,240	--
Accrued interest payable from restricted assets	2,007	94,840	--
Interest payable on capital appreciation bonds and other debt	658	734	20
Bonds payable	13,687	13,717	487
Bonds payable from restricted assets	9,450	171,522	--
Capital lease obligations payable	--	40	274
Customer and escrow deposits payable from restricted assets	3,485	41,735	--
Accrued landfill closure and postclosure costs	186	186	--
Deferred credits and other liabilities	--	34,679	1,232
Other liabilities payable from restricted assets	3,471	3,471	--
Total current liabilities	48,292	521,294	42,082
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	238	820	582
Claims payable	--	--	16,889
Advances from other funds	1,740	6,310	315
Advances from other funds payable from restricted assets	--	22,723	--
Capital appreciation bond interest payable	--	118,206	--
Commercial paper notes payable, net of discount	--	359,792	--
Revenue notes payable	--	28,000	--
Bonds payable, net of discount and inclusive of premium	285,978	3,641,467	4,088
Pension obligation payable	15,589	61,245	--
Other post employment benefits payable	38,789	149,174	--
Capital lease obligations payable	--	1,218	159
Accrued landfill closure and postclosure costs	7,323	7,323	--
Decommissioning liability payable from restricted assets	--	166,556	--
Derivative instruments - energy risk management	--	77,627	--
Derivative instruments - interest rate swaps	19,179	108,811	--
Deferred credits and other liabilities	4,222	691,813	--
Other liabilities payable from restricted assets	6,035	6,399	--
Total noncurrent liabilities	379,093	5,447,484	22,033
Total liabilities	427,385	5,968,778	64,115
Deferred inflows of resources	--	7,076	--

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

Proprietary Funds
Statement of Net Assets
September 30, 2011
(In thousands)

	Austin Energy (1)	Austin Water Utility (2)	Airport
NET ASSETS			
Invested in capital assets, net of related debt	$ 1,120,716	410,769	310,848
Restricted for:			
Debt service	51,299	33,243	15,498
Strategic reserve	140,529	--	--
Capital projects	38,787	12,805	111,458
Renewal and replacement	64	--	10,000
Bond reserve	16,246	48,296	--
Passenger facility charges	--	--	30,863
Operating reserve	--	--	9,786
Unrestricted	259,516	82,201	(9,749)
Total net assets	$ 1,627,157	587,314	478,704
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	7,566	3,608	1,515
Total net assets - Business-type activities	$ 1,634,723	590,922	480,219

(1) Prior to 2011, reported as Electric

(2) Prior to 2011, reported as Water and Wastewater

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

	Nonmajor Enterprise Funds	Total	
NET ASSETS			
Invested in capital assets, net of related debt	206,631	2,048,964	36,881
Restricted for:			
Debt service	7,879	107,919	--
Strategic reserve	--	140,529	--
Capital projects	12,929	175,979	--
Renewal and replacement	875	10,939	--
Bond reserve	6,824	71,366	--
Passenger facility charges	--	30,863	--
Operating reserve	3,135	12,921	--
Unrestricted	89,756	421,724	44,877
Total net assets	328,029	3,021,204	81,758
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	3,827	16,516	
Total net assets - Business-type activities	331,856	3,037,720	

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

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the year ended September 30, 2011
(In thousands)

	Austin Energy (1)	Austin Water Utility (2)	Airport
OPERATING REVENUES			
Utility services	$ 1,249,139	448,048	--
User fees and rentals	--	--	89,548
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,249,139	448,048	89,548
OPERATING EXPENSES			
Operating expenses before depreciation	932,802	177,474	63,835
Depreciation and amortization	132,077	91,398	19,581
Total operating expenses	1,064,879	268,872	83,416
Operating income (loss)	184,260	179,176	6,132
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	9,732	271	711
Interest on revenue bonds and other debt	(81,823)	(99,843)	(14,087)
Interest capitalized during construction	--	--	372
Passenger facility charges	--	--	17,430
Amortization of bond issue cost	(735)	(785)	(229)
Cost (recovered) to be recovered in future years	12,667	22,178	--
Other nonoperating revenue (expense)	(4,337)	(3,032)	(5,923)
Total nonoperating revenues (expenses)	(64,496)	(81,211)	(1,726)
Income (loss) before contributions and transfers	119,764	97,965	4,406
Capital contributions	10,261	22,637	5,479
Transfers in	--	--	--
Transfers out	(103,758)	(35,993)	--
Change in net assets	26,267	84,609	9,885
Total net assets - beginning, as restated (See Note 16)	1,600,890	502,705	468,819
Total net assets - ending	$ 1,627,157	587,314	478,704
Reconciliation to government-wide Statement of Activities			
Change in net assets	26,267	84,609	9,885
Adjustment to consolidate internal service activities	2,257	1,128	509
Change in net assets - Business-type activities	$ 28,524	85,737	10,394

(1) Prior to 2011, reported as Electric
(2) Prior to 2011, reported as Water and Wastewater

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

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,697,187	--
User fees and rentals	215,577	305,125	--
Billings to departments	--	--	295,483
Employee contributions	--	--	28,320
Operating revenues from other governments	--	--	3,131
Other operating revenues	--	--	4,852
Total operating revenues	215,577	2,002,312	331,786
OPERATING EXPENSES			
Operating expenses before depreciation	214,264	1,388,375	305,818
Depreciation and amortization	23,635	266,691	8,815
Total operating expenses	237,899	1,655,066	314,633
Operating income (loss)	(22,322)	347,246	17,153
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	844	11,558	118
Interest on revenue bonds and other debt	(13,793)	(209,546)	(262)
Interest capitalized during construction	1,666	2,038	--
Passenger facility charges	--	17,430	--
Amortization of bond issue cost	(311)	(2,060)	19
Cost (recovered) to be recovered in future years	--	34,845	--
Other nonoperating revenue (expense)	(12,106)	(25,398)	(11,650)
Total nonoperating revenues (expenses)	(23,700)	(171,133)	(11,775)
Income (loss) before contributions and transfers	(46,022)	176,113	5,378
Capital contributions	10,581	48,958	7,719
Transfers in	47,120	47,120	--
Transfers out	(5,861)	(145,612)	(10,838)
Change in net assets	5,818	126,579	2,259
Total net assets - beginning, as restated (See Note 16)	322,211	2,894,625	79,499
Total net assets - ending	328,029	3,021,204	81,758
Reconciliation to government-wide Statement of Activities			
Change in net assets	5,818	126,579	
Adjustment to consolidate internal service activities	856	4,750	
Change in net assets - Business-type activities	6,674	131,329	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2011
(In thousands)

	Austin Energy (1)	Austin Water Utility (2)	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,211,031	432,729	88,593
Cash payments to suppliers for goods and services	(699,953)	(86,064)	(35,470)
Cash payments to employees for services	(170,351)	(80,565)	(24,302)
Cash payments to claimants/beneficiaries	--	--	--
Taxes collected and remitted to other governments	(33,836)	--	--
Net cash provided by operating activities	306,891	266,100	28,821
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	--	-- --	
Transfers out	(103,758)	(35,993)	--
Interest paid on revenue notes and other debt	(53)	--	--
Increase in deferred assets	(105)	--	--
Contributions (to) from other funds	--	(242)	--
Loans to other funds	(3,582)	--	--
Loan repayments to other funds	--	(973)	--
Loan repayments from other funds	1,100	27	1,525
Collections from other governments	11,873	--	703
Net cash provided (used) by noncapital financing activities	(94,525)	(37,181)	2,228
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	67,427	167,568	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	1,675	--
Proceeds from the sale of revenue bonds	--	12,750	--
Principal paid on long-term debt	(75,275)	(55,533)	(13,874)
Purchased interest received	--	1,169	--
Interest paid on revenue bonds and other debt	(99,092)	(107,938)	(13,296)
Passenger facility charges	--	--	17,430
Acquisition and construction of capital assets	(148,447)	(233,433)	(23,875)
Contributions from municipality	--	--	--
Contributions from state and federal governments	--	--	998
Contributions in aid of construction	10,260	5,619	5,479
Bond issuance costs	--	(1,729)	--
Bond premiums	--	2,132	--
Bonds issued for advanced refundings of debt	--	182,765	--
Cash paid for bond refunding escrow	--	(183,167)	--
Cash paid for nuclear fuel inventory	(22,150)	--	--
Net cash (used) by capital and related financing activities	$ (267,277)	(208,122)	(27,138)

(1) Prior to 2011, reported as Electric

(2) Prior to 2011, reported as Water and Wastewater

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

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	214,006	1,946,359	330,908
Cash payments to suppliers for goods and services	(109,602)	(931,089)	(82,006)
Cash payments to employees for services	(84,936)	(360,154)	(119,598)
Cash payments to claimants/beneficiaries	--	--	(105,353)
Taxes collected and remitted to other governments	--	(33,836)	--
Net cash provided by operating activities	19,468	621,280	23,951
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	47,120	47,120	--
Transfers out	(5,861)	(145,612)	(10,838)
Interest paid on revenue notes and other debt	(2)	(55)	--
Increase in deferred assets	--	(105)	--
Contributions (to) from other funds	242	--	--
Loans to other funds	(7)	(3,589)	--
Loan repayments to other funds	(1,291)	(2,264)	(165)
Loan repayments from other funds	367	3,019	--
Collections from other governments	358	12,934	--
Net cash provided (used) by noncapital financing activities	40,926	(88,552)	(11,003)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	234,995	--
Proceeds from the sale of general obligation bonds and other tax supported debt	22,875	24,550	--
Proceeds from the sale of revenue bonds	--	12,750	--
Principal paid on long-term debt	(21,176)	(165,858)	(774)
Purchased interest received	42	1,211	--
Interest paid on revenue bonds and other debt	(13,553)	(233,879)	(262)
Passenger facility charges	--	17,430	--
Acquisition and construction of capital assets	(29,356)	(435,111)	(14,011)
Contributions from municipality	230	230	--
Contributions from state and federal governments	--	998	--
Contributions in aid of construction	5,107	26,465	--
Bond issuance costs	(225)	(1,954)	--
Bond premiums	1,153	3,285	--
Bonds issued for advanced refundings of debt	5,513	188,278	--
Cash paid for bond refunding escrow	(6,471)	(189,638)	--
Cash paid for nuclear fuel inventory	--	(22,150)	--
Net cash (used) by capital and related financing activities	(35,861)	(538,398)	(15,047)

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2011
(In thousands)

	Business-Type Activities		
	Austin Energy (1)	**Austin Water Utility (2)**	**Airport**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (436,885)	(168,111)	(30,665)
Proceeds from sale and maturities of investment securities	432,723	148,098	29,264
Interest on investments	9,620	271	711
Net cash provided (used) by investing activities	5,458	(19,742)	(690)
Net increase (decrease) in cash and cash equivalents	(49,453)	1,055	3,221
Cash and cash equivalents, October 1, as restated (See Note 16)	218,793	67,571	168,598
Cash and cash equivalents, September 30	169,340	68,626	171,819
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	184,260	179,176	6,132
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	132,077	90,410	19,581
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	(1,388)	--	--
Increase in accounts receivable	(14,018)	(16,045)	(499)
Increase (decrease) in allowance for doubtful accounts	(358)	(277)	129
Decrease in due from other funds	--	--	--
(Increase) decrease in inventory	(107)	(154)	30
(Increase) decrease in prepaid expenses and other assets	(4,370)	10	2
(Increase) decrease in deferred costs and other expenses	(4,125)	25	--
(Increase) decrease in other long-term assets	5	--	--
Increase (decrease) in accounts payable	16,729	(404)	801
Decrease in accrued payroll and compensated absences	(5,534)	(2,603)	(708)
Increase in claims payable	--	--	--
Decrease in due to other governments	--	--	--
Decrease in advances from other funds	--	--	--
Increase in pension obligations payable	4,120	1,942	584
Increase in other post employment benefits payable	21,158	12,000	3,286
Increase (decrease) in deferred credits and other liabilities	(23,812)	28	(532)
Increase in customer deposits	2,254	1,004	15
Total adjustments	122,631	86,924	22,689
Net cash provided by operating activities	$ 306,891	266,100	28,821

(1) Prior to 2011, reported as Electric

(2) Prior to 2011, reported as Water and Wastewater

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(22,657)	(658,318)	--
Proceeds from sale and maturities of investment securities	22,868	632,953	--
Interest on investments	844	11,446	118
Net cash provided (used) by investing activities	1,055	(13,919)	118
Net increase (decrease) in cash and cash equivalents	25,588	(19,589)	(1,981)
Cash and cash equivalents, October 1, as restated (See Note 16)	167,610	622,572	101,848
Cash and cash equivalents, September 30	193,198	602,983	99,867
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(22,322)	347,246	17,153
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	23,635	265,703	8,815
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	--	(1,388)	--
Increase in accounts receivable	(1,819)	(32,381)	(283)
Increase (decrease) in allowance for doubtful accounts	(18)	(524)	--
Decrease in due from other funds	--	--	11
(Increase) decrease in inventory	94	(137)	(599)
(Increase) decrease in prepaid expenses and other assets	19	(4,339)	(4)
(Increase) decrease in deferred costs and other expenses	--	(4,100)	(294)
(Increase) decrease in other long-term assets	--	5	(8)
Increase (decrease) in accounts payable	441	17,567	5,777
Decrease in accrued payroll and compensated absences	(3,110)	(11,955)	(3,378)
Increase in claims payable	--	--	426
Decrease in due to other governments	--	--	(69)
Decrease in advances from other funds	(7)	(7)	(28)
Increase in pension obligations payable	1,959	8,605	--
Increase in other post employment benefits payable	12,014	48,458	--
Increase (decrease) in deferred credits and other liabilities	8,302	(16,014)	(3,568)
Increase in customer deposits	280	3,553	--
Total adjustments	41,790	274,034	6,798
Net cash provided by operating activities	19,468	621,280	23,951

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2011
(In thousands)

	Austin Energy (1)	Austin Water Utility (2)	Airport
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	$ (13,406)	(21,504)	--
Capital appreciation bonds interest accreted	2,583	10,552	--
Capital assets contributed from other funds	--	--	--
Contributed facilities	--	16,858	--
Decrease in the fair value of investments	(1,840)	(149)	(212)
Amortization of bond issue costs	(735)	(785)	(229)
Amortization of bond (discounts) premiums	5,277	4,239	252
Amortization of deferred loss on refundings	(10,294)	(4,685)	(1,085)
Loss on disposal of assets	(1,292)	(6,391)	(7,082)
Deferred loss on bond refunding	--	(299)	--
Deferred costs to be recovered	5,429	22,178	--
Increase (decrease) in deferred credits and other liabilities	8,474	(1,178)	--

(1) Prior to 2011, reported as Electric

(2) Prior to 2011, reported as Water and Wastewater

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

	Nonmajor Enterprise Funds	Total	
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	114	(34,796)	--
Capital appreciation bonds interest accreted	--	13,135	--
Capital assets contributed from other funds	879	879	7,719
Contributed facilities	--	16,858	--
Decrease in the fair value of investments	(205)	(2,406)	--
Amortization of bond issue costs	(311)	(2,060)	(19)
Amortization of bond (discounts) premiums	672	10,440	--
Amortization of deferred loss on refundings	(1,269)	(17,333)	--
Loss on disposal of assets	(11,423)	(26,188)	(11,650)
Deferred loss on bond refunding	--	(299)	--
Deferred costs to be recovered	--	27,607	--
Increase (decrease) in deferred credits and other liabilities	--	7,296	--

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

September 30, 2011
(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 1,432	2,724
Other assets	121	--
Total assets	1,553	2,724
LIABILITIES		
Accounts payable	--	18
Due to other governments	--	2,097
Deposits and other liabilities	689	609
Total liabilities	689	2,724
NET ASSETS		
Held in trust	864	
Total net assets	$ 864	

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

	Private-purpose Trust
ADDITIONS	
Contributions	$ 491
Interest and other	7
Total additions	498
DEDUCTIONS	
Benefit payments	502
Total deductions	502
Net additions (deductions)	(4)
Total net assets - beginning	868
Total net assets - ending	$ 864

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The City Council is composed of a Mayor and six Councilmembers, all of whom are elected at large for three-year staggered terms and may serve a maximum of two consecutive terms. A petition signed by 5% of the registered voters waives the term limit for a Councilmember.

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

The City of Austin's charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 59. In fiscal year 2011, the City implemented GASB Statement No. 54 entitled "*Fund Balance Reporting and Governmental Fund Type Definitions*" (see Note 16 for impact) and GASB Statement No. 59 entitled "*Financial Instruments Omnibus."* The more significant accounting and reporting policies and practices used by the City are described below.

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

a -- Reporting Entity

As required by GAAP, these financial statements present the City's primary government, its component units, and other entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City.

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

The Mueller Local Government Corporation (MLGC) is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. MLGC was created for the purpose of financing infrastructure projects required for the development of the former site of Mueller Airport. The Austin City Council acts as the board of directors of the corporation and members of the City staff serve as officers of the corporation. The entity is reported as a nonmajor special revenue fund in the City's financial statements.

The Waller Creek Local Government Corporation (WCLGC) is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. WCLGC was created for the primary purpose of financing certain public improvements located within or around the District (Waller Creek Redevelopment Project). The Austin City Council appoints a 5 member board consisting of three representatives of the Waller Creek Conservancy and two representatives of the City. The entity is reported as a nonmajor special revenue fund in the City's financial statements.

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

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

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

- Austin Housing Authority – The Mayor appoints the persons to serve as commissioners of this organization.
- Travis County Healthcare District – City Councilmembers appoint four board managers, Travis County appoints four board managers, and the City and County mutually appoint one board manager. Travis County reports the Healthcare District as a component unit on their financial statements.

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

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

b -- Government-wide and Fund Financial Statements

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

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

The accounts of the City are organized on the basis of funds. The fund level statements focus on the governmental, proprietary, and fiduciary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by GASB Statement No. 34; the City has elected to present the Airport Fund as a major fund even though it does not meet the minimum criteria. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into nonmajor governmental, nonmajor enterprise, or internal service fund groupings.

The City's fiduciary funds are presented in the fund financial statements by type (private-purpose and agency). By definition, fiduciary fund assets are held for the benefit of a third party and cannot be used to address activities or obligations of the primary government; therefore, they are not included in the government-wide statements. Reconciliation of the fund financial statements to the government-wide statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

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

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

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

The City reports the following major governmental fund:

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

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

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

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

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

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

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

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. In accordance with GASB Statement No. 20, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The City reports the following major enterprise funds:

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

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

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

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

Convention: Accounts for convention center and public events activities.
Environmental and health services: Accounts for solid waste services activities.
Public recreation: Accounts for golf and parks and recreation activities.
Urban growth management: Accounts for drainage and transportation activities.

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

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

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

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

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

d -- Budget

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

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

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

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

e -- Financial Statement Elements

Pooled Investments and Cash -- Cash balances of all city funds (except for certain funds shown in Note 2 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of U.S. government obligations and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that carry a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments -- Certain investments are required to be reported at fair value, based on quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments in U.S. government and agency debt securities and money market mutual funds at fair value as of September 30, 2011. Investments in local government investment pools are carried at net asset value per share calculated using the amortized cost method which approximates fair value.

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

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net assets, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2011 (in thousands):

	Charges for Services	Fines	Taxes	Other Govern- ments	Other	Total
Governmental activities						
General Fund	$ 102,206	26,976	35,034	--	--	164,216
Nonmajor governmental funds	706	--	13,167	14,885	719	29,477
Internal service funds	2,285	--	--	--	--	2,285
Allowance for doubtful accounts	(94,768)	(13,704)	--	(259)	--	(108,731)
Total	$ 10,429	13,272	48,201	14,626	719	87,247

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

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

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

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

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

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

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

Restricted assets -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since Austin Energy and Austin Water Utility report in accordance with accounting for regulated operations (formerly FASB Statement No. 71), enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

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

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

	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 47,927	53,871	119,383	23,634	244,815
Customer and escrow deposits	28,409	9,409	432	3,485	41,735
Debt service	97,605	77,963	15,498	9,886	200,952
Federal grants	4,319	308	613	655	5,895
Operating reserve account	--	--	9,786	9,518	19,304
Passenger facility charge account	--	--	30,863	--	30,863
Plant decommissioning	197,209	--	--	--	197,209
Renewal and replacement account	64	--	10,000	875	10,939
Revenue bond reserve	16,246	48,296	--	8,498	73,040
Strategic reserve	140,529	--	--	--	140,529
	$ 532,308	189,847	186,575	56,551	965,281

Capital assets -- Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, and infrastructure assets, are reported in the proprietary funds and the applicable governmental or business-type activity columns of the government-wide statement of net assets; related depreciation or amortization is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of $1,000 or more and an estimated useful life of greater than one year. Assets purchased, internally generated, or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair value at the time received. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred. Improvements and betterments that extend the useful lives of capital assets or increase their value are capitalized in the government-wide and proprietary statement of net assets and expended in governmental funds.

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

Interest is not capitalized on governmental capital assets. Enterprise funds, with the exception of the Austin Energy and Austin Water Utility, capitalize interest paid on long-term debt when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by the bond proceeds issued to fund the project. Interest is not capitalized on Austin Energy and Austin Water Utility assets in accordance with accounting for regulated operations.

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

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

(1) Includes internal service funds

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

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

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

Water rights represent the amortized cost of a $100 million contract, net of accumulated amortization, of $11.9 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

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

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

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

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

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

(1) Non-civil service employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
(2) Civil service police employees with 10 years of actual service are eligible for accumulated sick leave payout.
As of January 1, 2011, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.
(3) Civil service fire employees are eligible for accumulated sick leave payout regardless of hire date.
(4) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.

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

Other Post Employment Benefits (OPEB) -- The City provides certain health care benefits for its retired employees and their families as more fully described in Note 8. At September 30, 2011, the City's total actuarial accrued liability for these retiree benefits was approximately $1.4 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

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

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

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

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

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt liability and the related deferred amount on the statement of net assets. Austin Energy and Austin Water Utility recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

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

Landfill Closure and Postclosure Care Costs -- Municipal solid waste landfill costs are reported in accordance with GASB Statement No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*". The liability for landfill closure and postclosure costs is reported in the Solid Waste Services Fund, a nonmajor enterprise fund.

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

	Bad Debt Expense
Austin Energy	$ 3,546
Austin Water Utility	854
Airport	135
Nonmajor Enterprise	1,446

Electric, water, and wastewater revenue is recorded when earned. Customers' electric and water meters are read and bills rendered on a cycle basis by billing district. Electric rate schedules include a fuel cost adjustment clause that permits recovery of fuel costs in the month incurred or in future months. The City reports fuel costs on the same basis as it recognizes revenue. Unbilled revenue is recorded in Austin Energy by estimating the daily power generation and allocating by each billing district meter read dates as of September 30, 2011. The amount of unbilled revenue recorded, as of September 30, 2011, was $45 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2011. The amount of unbilled revenue recorded as of September 30, 2011 was $19.3 million for water and $12.2 million for wastewater.

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

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

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

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

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

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

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

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

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

Assigned: The portion of fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Under the city charter, the City Manager and designees are authorized to assign individual amounts up to $53,000 in fiscal year 2011 to a specific purpose. This amount is updated annually based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average. The most recently published Consumer Price Index on May 4, 2002, shall be used as a base of 100 and the adjustment thereafter will be to the nearest one thousand dollars ($1,000.00).

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

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

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

	General Fund	Nonmajor Governmental	Total
Nonspendable			
General government	$ 318	50	368
Public safety	630	--	630
Public Health	1	--	1
Public recreation and culture	--	990	990
Urban growth management	160	0	160
Total Nonspendable	1,109	1,040	2,149
Restricted			
General government	--	23,806	23,806
Public safety	--	5,661	5,661
Transportation, planning, and sustainability	--	64,908	64,908
Public Health	--	256	256
Public recreation and culture	--	29,430	29,430
Urban growth management	--	51,461	51,461
Total Restricted	--	175,522	175,522
Committed			
General government	446	4,679	5,125
Public safety	714	180	894
Transportation, planning, and sustainability	288	202	490
Public Health	1,435	179	1,614
Public recreation and culture	171	3,594	3,765
Urban growth management	63	17,312	17,375
Total Committed	3,117	26,146	29,263
Assigned			
General government	79	25,894	25,973
Public safety	226	2,873	3,099
Transportation, planning, and sustainability	954	16,997	17,951
Public Health	591	789	1,380
Public recreation and culture	71	16,776	16,847
Urban growth management	9,071	5,620	14,691
Total Assigned	10,992	68,949	79,941
Unassigned	119,035	(36,582)	82,453
Total Fund Balance	$ 134,253	235,075	369,328

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

Budget stabilization -- By formal action of City Council, the General Fund maintains 3 reserve funds: a contingency reserve, an emergency reserve, and a budget stabilization reserve. As of September 30, 2011, the contingency reserve maintains a balance of 1 percent of departmental expenditures, or $6.1 million, the emergency reserve remains fixed with a balance of $40 million, and the budget stabilization reserve reports a balance of $63.3 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other onetime costs, but such appropriation should not exceed one-third of the total amount in the reserve.

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

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

Pension Costs -- State law governs pension contribution requirements and benefits. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see Note 7).

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

The City does not participate in a risk pool but purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites. It complies with GASB Statement No. 10, "*Accounting and Reporting for Risk Financing and Related Insurance issues*" (see Note 13).

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

f -- Comparative Data

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

g -- Use of Estimates

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

2 – POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2011 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	**Restricted**
General Fund	$ 120,755	--
Nonmajor governmental funds	211,435	--
Austin Energy	70,748	94,252
Austin Water Utility	5,395	63,126
Airport	1,521	170,291
Nonmajor enterprise funds	155,668	37,499
Internal service funds	98,980	--
Fiduciary funds	4,156	--
Subtotal pooled investments and cash	668,658	365,168
Total pooled investments and cash	$ 1,033,826	

3 – INVESTMENTS AND DEPOSITS
a -- Investments

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

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

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

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

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

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

The City participates in three local government investment pools: TexPool, TexasDAILY, and TexStar. The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors.

The City invests in local government investment pools, which are structured similar to money market mutual funds, to provide its liquidity needs. TexPool, TexasDAILY, and TexStar were established in conformity with the interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. These funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. These funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. TexPool, TexasDAILY, and TexStar are rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2011, TexPool, TexasDAILY, and TexStar had a weighted average maturity of 44 days, 54 days, and 40 days, respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City did not participate in any reverse repurchase agreements or security lending arrangements during fiscal year 2011.

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

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

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2011 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 17,165	255,204	--	272,369
Money Market Funds	--	2,135	--	2,135
US Treasury Notes	--	84,091	--	84,091
US Agency Bonds	--	249,492	--	249,492
Total non-pooled investments	17,165	590,922	--	608,087
Pooled investments:				
Local Government Investment Pools	184,621	256,270	1,780	442,671
US Agency Bonds	245,222	340,457	2,295	587,974
Municipal Bonds	8,394	11,652	81	20,127
Total pooled investments	438,237	608,379	4,156	1,050,772
Total investments	$ 455,402	1,199,301	4,156	1,658,859

Concentration of Credit Risk
At September 30, 2011, the City of Austin was exposed to concentration of credit risk since it held investments with more than five percent of the total investment portfolio balances of the City in securities of the following issuers (in millions): Federal Home Loan Bank ($356.6 or 22%), Federal Home Loan Mortgage Corporation ($219.9 or 13%), and Federal National Mortgage Association ($203.9 or 12%).

b -- Investment Categories

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

1. Operating funds excluding a special project fund;
2. Debt service funds;
3. Special project fund;
4. Special purpose funds.

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

Operating Funds
As of September 30, 2011, the City operating funds had the following investments:

	Fair Value (in thousands)				
Investment Type	**Governmental Activities**	**Business-type Activities**	**Fiduciary Funds**	**Total**	**Weighted Average Maturity (days)**
Local Government Investment Pools	$ 184,621	256,270	1,780	442,671	1
US Agency Bonds	245,222	340,462	2,290	587,974	541
Municipal Bonds	8,394	11,652	81	20,127	152
Total	$ 438,237	608,384	4,151	1,050,772	305

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

Credit Risk
None of the portfolio consists of direct obligations of the US government. As of September 30, 2011, Standard and Poor's issued the following ratings for other investments:

Local Government Investment Pools	42%	AAAm
US Agencies	56%	AA+
Municipal Bonds	2%	AA-

All three local government investment pools, TexPool, TexasDAILY, and TexStar, were rated AAAm by Standard and Poor's.

Concentration of Credit Risk
At September 30, 2011, the operating funds held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($266.4 or 25%), Federal Home Loan Mortgage Corporation ($175.5 or 17%), and Federal National Mortgage Association ($115.7 or 11%).

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

At September 30, 2011, less than half of the Investment Pool was invested in AAAm rated LGIPs, with the remainder invested in municipal bonds and short-to medium term US Agency obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 305 days, which was less than the threshold of 365 days.

<u>Debt Service Funds</u>
As of September 30, 2011, the City's debt service funds had the following investments:

	Fair Value (in thousands)		
Investment Type	**Governmental Activities**	**Business-type Activities**	**Final Maturity**
General Obligation Debt Service			
Local Government Investment Pools	$ 17,165	--	N/A
Enterprise-Utility (1)			
Local Government Investment Pools	--	199,902	N/A
Enterprise-Airport			
Local Government Investment Pools	--	15,498	N/A
Nonmajor Enterprise-Convention Center			
Local Government Investment Pools	--	9,886	N/A
Total	$ 17,165	225,286	

(1) Includes combined pledge debt service

Credit Risk
As of September 30, 2011, Standard and Poor's rated TexPool AAAm.

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

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

Special Project Fund
Airport Construction
As of September 30, 2011, the City's special project fund had the following investments:

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

Credit Risk
As of September 30, 2011, Standard and Poor's rated TexPool AAAm.

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

Special Purpose Funds
Austin Energy Strategic Reserve Fund
As of September 30, 2011, the City's Special Purpose Fund (Austin Energy Strategic Reserve Fund) had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (days)
Local Government Investment Pools	$ 1,240	1
US Treasury Notes	31,952	665
US Agency Bonds	107,337	1,187
Total	$ 140,529	1,062

Credit risk
At September 30, 2011, the Austin Energy Strategic Reserve Fund held an investment in TexPool, an LGIP rated AAAm by Standard and Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard and Poor's rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2011, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($10.2 or 7%), Federal Home Loan Bank ($23.9 or 17%), Federal Home Loan Mortgage Corporation ($15 or 11%), and Federal National Mortgage Association ($58.2 or 41%).

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

At September 30, 2011, the portfolios held investments in TexPool, US Treasuries, and US Agencies with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 1,062 days (2.91 years).

Austin Energy Nuclear Decommissioning Trust Funds
At September 30, 2011, the City's Special Purpose Fund (Nuclear Decommissioning Trust Funds, NDTF) had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (years)
US Treasury Notes	$ 52,139	2.92
US Agency Bonds	122,051	3.64
Money Market Funds	2,135	1 day
Total	$ 176,325	3.39

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

Credit Risk
At September 30, 2011, Standard and Poor's rated the US Agency Bonds AA+ and the Money Market Fund AAAm. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2011, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($16.4 or 9%), Federal Home Loan Bank ($46.2 or 26%), Federal Home Loan Mortgage Corporation ($29.4 or 17%), Federal National Mortgage Association ($30 or 17%).

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment policy for the Nuclear Decommissioning Trust Funds portfolios requires that the dollar weighted average maturity, using final state maturity dates, shall not exceed seven years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate. At September 30, 2011, the dollar weighted average maturity was 3.39 years.

Combined Utility Reserve
At September 30, 2011, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Weighted Average Maturity (days)
Local Government Investment Pools	$ 20,104	1
US Agency Bonds	20,104	755
	$ 40,208	377

Credit Risk
At September 30, 2011, Standard and Poor's rated the US Agency Bonds AA+ and TexPool AAAm.

Concentration of Credit Risk
At September 30, 2011, the Combined Utility Reserve held investments with more than five percent of the total in securities of the following issuer (in millions): Federal Home Loan Bank ($20.1 or 50%).

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

Convention Center Reserve
At September 30, 2011, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Weighted Average Maturity (days)
Local Government Investment Pools	$ 8,498	N/A

Credit Risk
As of September 30, 2011, Standard and Poor's rated TexPool AAAm.

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

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

Investments and deposits portfolio balances at September 30, 2011, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 18,841	595,405	--	614,246
Pooled investments and cash	440,048	610,893	4,156	1,055,097
Total investments and cash	458,889	1,206,298	4,156	1,669,343
Unrestricted cash	70	67	--	137
Restricted cash	1,606	4,416	--	6,022
Pooled investments and cash	440,048	610,893	4,156	1,055,097
Investments	17,165	590,922	--	608,087
Total	$ 458,889	1,206,298	4,156	1,669,343

A difference of $22.6 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

Deposits
The September 30, 2011 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 70	67	137
Restricted	--	4,319	4,319
Cash held by trustee			
Restricted	1,606	97	1,703
Pooled cash	1,811	2,514	4,325
Total deposits	$ 3,487	6,997	10,484

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2011.

4 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2010, upon which the 2011 levy was based, was $77,619,349,384.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2011, 99.13% of the current tax levy (October 1, 2010) was collected. The statutory lien date is January 1.

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

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

4 – PROPERTY TAXES, continued

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

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the city charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at $1.00 per $100 assessed valuation. A practical limitation on taxes levied for debt service of $1.50 per $100 of assessed valuation is established by state statute and city charter limitations. Through contractual arrangements, Travis, Williamson, and Hays Counties bill and collect property taxes for the City.

The tax rate to finance general governmental functions, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2011, was $.3262 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $.6738 per $100 assessed valuation, and could levy approximately $522,999,176 in additional taxes from the assessed valuation of $77,619,349,384 before the legislative limit is reached.

The City has reserved a portion of the taxes collected for lawsuits filed by certain taxpayers against the appraisal districts challenging assessed values in the government-wide financial statements.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

The City has recorded capitalized interest for fiscal year 2011 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

	Enterprise Funds	
Major fund:		
Airport	$	372
Nonmajor enterprise funds:		
Convention Center		1,120
Drainage		474
Solid Waste Services		72

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

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Governmental Activities

Capital asset activity for the year ended September 30, 2011, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 332,457	16,054	(4,659)	343,852
Arts and treasures	5,914	1,036	--	6,950
Library collections	14,389	1	--	14,390
Total	352,760	17,091	(4,659)	365,192
Deprecable property, plant and equipment in service				
Building and improvements	644,645	64,785	(7,389)	702,041
Plant and equipment	156,581	43,064	(10,965)	188,680
Vehicles	93,262	14,474	(4,584)	103,152
Infrastructure	1,969,761	92,674	--	2,062,435
Total	2,864,249	214,997	(22,938)	3,056,308
Less accumulated depreciation for				
Building and improvements	(202,540)	(20,938)	708	(222,770)
Plant and equipment	(93,038)	(18,409)	2,313	(109,134)
Vehicles	(58,529)	(8,279)	2,937	(63,871)
Infrastructure	(732,350)	(57,691)	--	(790,041)
Total	(1,086,457)	(105,317) (2)	5,958	(1,185,816)
Net property, plant and equipment in service	1,777,792	109,680	(16,980)	1,870,492
Other capital assets				
Construction in progress	241,658	173,443	(226,818)	188,283
Total capital assets	$ 2,372,210	300,214	(248,457)	2,423,967

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

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

Governmental activities:	
General government	$ 6,000
Public safety	13,127
Transportation, planning and sustainability	48,808
Public health	1,426
Public recreation and culture	11,129
Urban growth management	16,012
Internal service funds	8,815
Total increases in accumulated depreciation	$ 105,317

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2011, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 65,200	3,928	--	69,128
Total	65,200	3,928	--	69,128
Depreciable property, plant and equipment in service				
Vehicles	28,631	1,512	(900)	29,243
Electric plant	3,850,557	287,819	(35,640)	4,102,736
Non-electric plant	140,456	17,090	(358)	157,188
Total	4,019,644	306,421	(36,898)	4,289,167
Less accumulated depreciation for				
Vehicles	(16,875)	(2,595)	1,412	(18,058)
Electric plant	(1,852,838)	(122,623)	30,455	(1,945,006)
Non-electric plant	(25,947)	(6,859)	39	(32,767)
Total	(1,895,660)	(132,077) (1)	31,906	(1,995,831)
Net property, plant and equipment in service	2,123,984	174,344	(4,992)	2,293,336
Other capital assets				
Construction in progress	328,196	146,441	(315,228)	159,409
Nuclear fuel, net of amortization	34,355	22,150	(15,006)	41,499
Plant held for future use	27,783	--	(1,578)	26,205
Total capital assets	$ 2,579,518	346,863	(336,804)	2,589,577

(1) Components of accumulated depreciation increases:

Current year depreciation	$ 132,077

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2011, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 212,841	5,405	--	218,246
Total	212,841	5,405	--	218,246
Depreciable property, plant and equipment in service				
Building and improvements	547,337	26,649	--	573,986
Plant and equipment	2,859,110	122,919	(899)	2,981,130
Vehicles	33,038	1,091	(782)	33,347
Total	3,439,485	150,659	(1,681)	3,588,463
Less accumulated depreciation for				
Building and improvements	(186,745)	(12,399)	--	(199,144)
Plant and equipment	(915,594)	(74,973)	836	(989,731)
Vehicles	(19,026)	(3,038)	776	(21,288)
Total	(1,121,365)	(90,410) (2)	1,612	(1,210,163)
Net property, plant and equipment in service	2,318,120	60,249	(69)	2,378,300
Other capital assets				
Construction in progress	253,410	245,303	(147,035)	351,678
Water rights, net of amortization	89,136	--	(988) (3)	88,148
Total capital assets	$ 2,873,507	310,957	(148,092)	3,036,372

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

(2) Components of accumulated depreciation increases:

Current year depreciation	
Water	$ 38,436
Wastewater	51,974
Total increases in accumulated depreciation	$ 90,410

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

Current year amortization - Water	$ 988

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2011, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 95,092	3,500	(471)	98,121
Arts and treasures	822	159	--	981
Total	95,914	3,659	(471)	99,102
Depreciable property, plant and equipment in service				
Building and improvements	662,123	17,311	--	679,434
Plant and equipment	22,630	776	(464)	22,942
Vehicles	5,541	22	(88)	5,475
Total	690,294	18,109	(552)	707,851
Less accumulated depreciation for				
Building and improvements	(177,895)	(17,498)	--	(195,393)
Plant and equipment	(10,861)	(1,686)	392	(12,155)
Vehicles	(3,029)	(397)	86	(3,340)
Total	(191,785)	(19,581) (1)	478	(210,888)
Net property, plant and equipment in service	498,509	(1,472)	(74)	496,963
Other capital assets				
Construction in progress	29,133	22,157	(26,832)	24,458
Total capital assets	$ 623,556	24,344	(27,377)	620,523

(1) Components of accumulated depreciation increases:

Current year depreciation	$ 19,581

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2011, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 91,042	10,776	--	101,818
Arts and treasures	612	--	--	612
Total	91,654	10,776	--	102,430
Depreciable property, plant and equipment in service				
Building and improvements	320,763	3,514	(766)	323,511
Plant and equipment	132,783	9,768	(6,234)	136,317
Vehicles	72,367	7,861	(1,611)	78,617
Total	525,913	21,143	(8,611)	538,445
Less accumulated depreciation for				
Building and improvements	(97,316)	(9,439)	133	(106,622)
Plant and equipment	(38,247)	(6,143)	1,880	(42,510)
Vehicles	(38,218)	(8,053)	1,485	(44,786)
Total	(173,781)	(23,635) (2)	3,498	(193,918)
Net property, plant and equipment in service	352,132	(2,492)	(5,113)	344,527
Other capital assets				
Construction in progress	55,825	30,140	(30,540)	55,425
Total capital assets	$ 499,611	38,424	(35,653)	502,382

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

(2) Components of accumulated depreciation increases:

Current year depreciation	
Convention Center	$ 8,388
Environmental and health services	6,695
Public recreation	774
Urban growth management	7,778
Total increases in accumulated depreciation	$ 23,635

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2011, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 464,175	23,609	(471)	487,313
Arts and treasures	1,434	159	--	1,593
Total	465,609	23,768	(471)	488,906
Depreciable property, plant and equipment in service				
Building and improvements	1,530,223	47,474	(766)	1,576,931
Plant and equipment	3,014,523	133,463	(7,597)	3,140,389
Vehicles	139,577	10,486	(3,381)	146,682
Electric plant	3,850,557	287,819	(35,640)	4,102,736
Non-electric plant	140,456	17,090	(358)	157,188
Total	8,675,336	496,332	(47,742)	9,123,926
Less accumulated depreciation for				
Building and improvements	(461,956)	(39,336)	133	(501,159)
Plant and equipment	(964,702)	(82,802)	3,108	(1,044,396)
Vehicles	(77,148)	(14,083)	3,759	(87,472)
Electric plant	(1,852,838)	(122,623)	30,455	(1,945,006)
Non-electric plant	(25,947)	(6,859)	39	(32,767)
Total	(3,382,591)	(265,703)(2)	37,494	(3,610,800)
Net property, plant and equipment in service	5,292,745	230,629	(10,248)	5,513,126
Other capital assets				
Construction in progress	666,564	444,041	(519,635)	590,970
Nuclear fuel, net of amortization	34,355	22,150	(15,006)	41,499
Plant held for future use	27,783	--	(1,578)	26,205
Water rights, net of amortization	89,136	--	(988) (3)	88,148
Total capital assets	$ 6,576,192	720,588	(547,926)	6,748,854

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

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

Business-type activities:	
Electric	$ 132,077
Water	38,436
Wastewater	51,974
Airport	19,581
Convention Center	8,388
Environmental and health services	6,695
Public recreation	774
Urban growth management	7,778
Total increases in accumulated depreciation	265,703

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

Current year amortization - Water	$ 988

6 – DEBT AND NON-DEBT LIABILITIES
a -- Long-Term Liabilities

Payments on bonds for governmental activities will be made from the general obligation debt service funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, and internal service funds. Claims payable will be liquidated by internal service funds. Deferred revenue and other liabilities that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, general governmental capital improvement projects funds, and internal service funds.

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

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2011 (in thousands):

Description	October 1, 2010	Increases	Decreases	September 30, 2011	Amounts Due Within One Year
Governmental activities (1)					
General obligation bonds, net	$ 789,619	202,895	(149,806)	842,708	48,426
Certificates of obligation, net	71,586	12,943	(22,103)	62,426	8,248
Contractual obligations, net	38,295	--	(5,301)	32,994	3,735
General obligation bonds and other tax supported debt total	899,500	215,838	(177,210)	938,128	60,409
Capital lease obligations	716		(283)	433	274
Debt service requirements total	900,216	215,838	(177,493)	938,561	60,683
Other long-term obligations					
Accrued compensated absences	112,498	7,071	(2,839)	116,730	44,538
Claims payable	33,435	1,399	(973)	33,861	16,972
Pension obligation payable	53,736	8,711	--	62,447	--
Other post employment benefits	169,432	64,586	--	234,018	--
Deferred credits and other liabilities	83,653	1,487	(5,877)	79,263	67,388
Governmental activities total	1,352,970	299,092	(187,182)	1,464,880	189,581
Total business-type activities					
General obligation bonds, net	16,233	12,175	(3,010)	25,398	2,670
Certificates of obligation, net	40,169	9,518	(8,784)	40,903	2,737
Contractual obligations, net	50,064	16,569	(11,779)	54,854	12,479
Other tax supported debt, net	18,178	--	(6,904)	11,274	671
General obligation bonds and other tax supported debt total	124,644	38,262	(30,477)	132,429	18,557
Commercial paper notes, net	299,797	235,022	(175,027)	359,792	--
Revenue notes	28,000	--	--	28,000	--
Revenue bonds, net	3,643,111	191,991	(140,825)	3,694,277	166,682
Capital lease obligations	1,628	--	(370)	1,258	40
Debt service requirements total	4,097,180	465,275	(346,699)	4,215,756	185,279
Other long-term obligations					
Accrued compensated absences	24,359	1,110	(1,612)	23,857	23,037
Accrued landfill closure and postclosure costs	7,940	3,078	(3,509)	7,509	186
Decommissioning expense payable	150,591	15,965	--	166,556	--
Pension obligation payable	52,640	8,877	(272)	61,245	--
Other post employment benefits	100,716	48,458	--	149,174	--
Deferred credits and other liabilities	798,481	37,286	(57,670)	778,097	79,885
Business-type activities total	5,231,907	580,049	(409,762)	5,402,194	288,387
Total liabilities (2)	$ 6,584,877	879,141	(596,944)	6,867,074	477,968

(1) Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

(2) This schedule excludes select short-term liabilities of $57,115 for governmental activities; and for business-type activities, select short-term liablities of $230,864, capital appreciation bond interest payable of $118,206, and derivative instruments of $186,438.

6 – DEBT AND NON-DEBT LIABILITIES, continued
a -- Long-Term Liabilities, continued

Description	October 1, 2010	Increases	Decreases	September 30, 2011	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 1,113	--	(83)	1,030	78
Contractual obligations	79	--	(79)	--	--
General obligation bonds and other tax supported debt total	1,192	--	(162)	1,030	78
Commercial paper notes, net	85,155	67,454	(27)	152,582	--
Revenue bonds, net	1,326,283	--	(70,187)	1,256,096	75,772
Capital lease obligations	1,297	--	(39)	1,258	40
Debt service requirements total	1,413,927	67,454	(70,415)	1,410,966	75,890
Other long-term obligations					
Accrued compensated absences	11,576	571	(844)	11,303	11,252
Decommissioning expense payable	150,591	15,965	--	166,556	--
Pension obligation payable	23,617	4,120	--	27,737	--
Other post employment benefits	41,078	21,158	--	62,236	--
Deferred credits and other liabilities	290,398	26,472	(54,054)	262,816	39,634
Electric activities total	1,931,187	135,740	(125,313)	1,941,614	126,776
Water and Wastewater activities					
General obligation bonds, net	1,179	5,655	(860)	5,974	1,101
Contractual obligations, net	12,371	1,687	(3,308)	10,750	3,231
Other tax supported debt, net	13,829	--	(6,611)	7,218	430
General obligation bonds and other tax supported debt total	27,379	7,342	(10,779)	23,942	4,762
Commercial paper notes, net	214,642	167,568	(175,000)	207,210	--
Revenue bonds, net	1,811,897	191,991	(50,200)	1,953,688	67,295
Debt service requirements total	2,053,918	366,901	(235,979)	2,184,840	72,057
Other long-term obligations					
Accrued compensated absences	5,520	368	(398)	5,490	5,122
Pension obligation payable	11,823	1,942	--	13,765	--
Other post employment benefits	25,386	12,000	--	37,386	--
Deferred credits and other liabilities	498,551	1,006	(2,578)	496,979	32,262
Water and Wastewater activities total	2,595,198	382,217	(238,955)	2,738,460	109,441
Airport activities					
General obligation bonds, net	262	--	(30)	232	30
General obligation bonds and other tax supported debt total	262	--	(30)	232	30
Revenue notes	28,000	--	--	28,000	--
Revenue bonds, net	295,283	--	(12,680)	282,603	14,165
Capital lease obligations	331	--	(331)	--	--
Debt service requirements total	323,876	--	(13,041)	310,835	14,195
Other long-term obligations					
Accrued compensated absences	1,561	102	(59)	1,604	1,441
Pension obligation payable	3,570	584	--	4,154	--
Other post employment benefits	7,477	3,286	--	10,763	--
Deferred credits and other liabilities	1,550	15	(476)	1,089	1,033
Airport activities total	338,034	3,987	(13,576)	328,445	16,669
Nonmajor activities					
General obligation bonds, net	13,679	6,520	(2,037)	18,162	1,461
Certificates of obligation, net	40,169	9,518	(8,784)	40,903	2,737
Contractual obligations	37,614	14,882	(8,392)	44,104	9,248
Other tax supported debt, net	4,349	--	(293)	4,056	241
General obligation bonds and other tax supported debt total	95,811	30,920	(19,506)	107,225	13,687
Revenue bonds, net	209,648	--	(7,758)	201,890	9,450
Capital lease obligations	--	--	--	--	--
Debt service requirements total	305,459	30,920	(27,264)	309,115	23,137
Other long-term obligations					
Accrued compensated absences	5,702	69	(311)	5,460	5,222
Accrued landfill closure and postclosure costs	7,940	3,078	(3,509)	7,509	186
Pension obligation payable	13,630	2,231	(272)	15,589	--
Other post employment benefits	26,775	12,014	--	38,789	--
Deferred credits and other liabilities	7,982	9,793	(562)	17,213	6,956
Nonmajor activities total	$ 367,488	58,105	(31,918)	393,675	35,501

6 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities

General Obligation Bonds -- General obligation debt is collateralized by the full faith and credit of the City. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies, and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt issued to finance capital assets of enterprise funds is reported as an obligation of these enterprise funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the enterprise funds to meet the debt service requirements from program revenues.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and assumed municipal utility district (MUD) bonds outstanding at September 30, 2011, including those reported in certain proprietary funds (in thousands):

Series	Date Issued	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt	
NW Austin MUD	December 2004	$ 2,630	1,844	381	(1)(3)	3.55 - 4.30%	9/01/2012-2020	
NW Austin MUD	June 2004	7,995	7,320	3,922	(1)(3)	3.90 - 4.25%	9/01/2012-2026	
NW Austin MUD	November 2009	2,760	2,110	269	(1)(3)	4.00 - 4.25%	3/01/2012-2018	
Series 2001 Refunding	June 2001	123,445	14,420	2,214	(1)	4.75 - 5.50%	9/1/2012-2022	
Series 2001	August 2001	79,650	4,375	219	(1)	5.00%	9/1/2012	
Series 2001	August 2001	65,335	5,045	252	(1)	5.00%	9/1/2012	
Series 2002 Refunding	June 2002	12,190	8,535	1,173	(1)	4.13 - 4.50%	3/1/2012-2017	
Series 2002	August 2002	99,615	15,600	1,247	(1)	3.75 - 4.00%	9/1/2012-2014	
Series 2002	August 2002	34,095	5,050	407	(1)	3.75 - 4.00%	9/1/2012-2014	
Series 2003 Refunding	May 2003	62,585	5,025	380	(1)	5.00%	9/1/2012-2013	
Series 2003 Refunding	September 2003	68,855	22,310	3,436	(1)	3.75 - 4.25%	9/1/2012-2017	
Series 2003A Refunding	September 2003	2,530	680	51	(1)	5.00%	9/1/2012-2013	
Series 2003	September 2003	4,450	3,145	1,012	(1)	4.00 - 4.80%	9/1/2012-2023	
Series 2004 Refunding	September 2004	67,835	54,080	18,554	(1)	4.00 - 5.00%	9/1/2012-2024	
Series 2004A Refunding	September 2004	2,430	1,056	111	(1)	4.60 - 4.75%	9/1/2012-2014	
Series 2004	September 2004	25,000	17,375	6,661	(1)	4.63 - 5.00%	9/1/2012-2024	
Series 2004	September 2004	21,830	1,985	33	(2)	3.35%	11/1/2011	
Series 2005 Refunding	February 2005	145,345	128,800	30,938	(1)	5.00%	9/1/2012-2020	
Series 2005 Refunding	August 2005	19,535	14,140	6,274	(1)	4.00 - 4.50%	9/1/2012-2025	
Series 2005	August 2005	7,185	5,735	1,966	(1)	3.50 - 4.30%	9/1/2012-2025	
Series 2005	August 2005	14,940	3,405	127	(2)	3.50 - 3.75%	11/1/2011-2012	
Series 2006	August 2006	31,585	31,285	15,288	(1)	4.00 - 5.38%	9/1/2012-2026	
Series 2006	August 2006	24,150	20,116	7,728	(1)	4.00 - 5.00%	9/1/2012-2026	
Series 2006	August 2006	14,120	5,565	352	(2)	4.00 - 4.25%	11/1/2011-2013	
Series 2006	August 2006	12,000	10,590	4,192	(1)(4)	4.00 - 6.00%	9/1/2012-2026	
Series 2007	August 2007	97,525	93,325	54,466	(1)	4.64%	9/1/2012-2027	
Series 2007	August 2007	3,820	3,325	1,548	(1)	4.88%	9/1/2012-2027	
Series 2007	August 2007	9,755	5,916	607	(2)	3.66%	11/1/2011-2017	
Series 2008 Refunding	January 2008	172,505	122,165	30,283	(1)	5.00%	9/1/2012-2021	
Series 2008	August 2008	76,045	61,620	37,143	(1)	3.50 - 5.00%	9/1/2012-2028	
Series 2008	August 2008	10,700	9,730	4,488	(1)	3.25 - 5.00%	9/1/2012-2028	
Series 2008	August 2008	26,715	18,190	1,597	(2)	3.00 - 3.50%	11/1/2011-2015	
Series 2009A	September 2009	20,905	9,545	1,486	(1)	3.00 - 5.00%	9/1/2012-2016	
Series 2009B	September 2009	78,460	78,460	48,697	(1)	4.15 - 5.31%	9/1/2017-2029	
Series 2009	September 2009	12,500	11,330	6,343	(1)	3.00 - 4.75%	9/1/2012-2039	
Series 2009	September 2009	13,800	11,590	1,272	(2)	2.00 - 3.25%	11/1/2011-2019	
Series 2009	October 2009	15,000	14,395	6,117	(1)(4)	2.50 - 4.25%	9/1/2012-2029	
Series 2010A	October 2010	79,528	69,240	34,565	(1)	2.00 - 4.00%	9/1/2012-2030	
Series 2010B	October 2010	26,400	25,760	15,136	(1)	3.50 - 4.65%	9/1/2012-2030	
Series 2010	October 2010	22,300	21,625	7,613	(1)	2.00 - 3.50%	9/1/2012-2030	
Series 2010	October 2010	16,450	15,475	763	(2)	1.00 - 1.75%	5/1/2012-2017	(5)
Series Refunding 2010	November 2010	91,560	91,560	36,786	(1)	4.00 - 5.00%	9/1/2012-2023	
			$ 1,052,842					

(1) Interest is paid semiannually on March 1 and September 1.
(2) Interest is paid semiannually on May 1 and November 1.
(3) Includes Austin Water Utility principal of $7,218 and interest of $2,927 and Drainage Fund principal of $4,056 and interest of $1,645.
(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.
(5) Series matures on Nov 1st of the final year.

6 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities, continued

In October 2010, the City issued $79,528,000 of Public Improvement Bonds, Series 2010A. The proceeds from the issue will be used as follows: street improvements ($16,998,000), streets and signals ($15,800,000), drainage improvements ($24,000,000), park improvements ($20,130,000) cultural arts ($100,000), central library ($1,000,000), and public safety facility ($1,500,000). These bonds will be amortized serially on September 1 of each year from 2011 to 2030. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2011. Total interest requirements for these bonds, at rates ranging from 2.00% to 4.00%, are $37,170,378.

In October 2010, the City issued $26,400,000 of Public Improvement Bonds, Taxable Series 2010B. The proceeds from the issue will be used as follows: affordable housing ($26,400,000). These bonds will be amortized serially on September 1 of each year from 2011 to 2030. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2011. Total interest requirements for these bonds, at rates ranging from 3.00% to 4.65%, are $16,225,123.

In October 2010, the City issued $22,300,000 of Certificates of Obligation, Series 2010. The proceeds from this issue will be used as follows: public safety facilities ($3,850,000), solid waste services landfill closure ($8,100,000), public works transportation projects ($9,000,000), and improvements ($1,350,000). These certificates of obligation will be amortized serially on September 1 of each year from 2011 to 2030. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2011. Total interest requirements for these certificates of obligation, at rates ranging from 2.00% to 3.50%, are $8,237,625.

In October 2010, the City issued $16,450,000 of Public Property Finance Contractual Obligations, Series 2010. The proceeds from this issue will be used as follows: solid waste services capital equipment ($8,600,000), parking meter pay stations ($2,600,000), golf capital equipment ($1,070,000), public works transportation capital equipment ($2,505,000) wastewater utility capital equipment ($1,016,000), and water utility capital equipment ($659,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2011 to 2017. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2011. Total interest requirements for these obligations, at rates ranging from 1.00% to 1.75%, are $897,315.

Public Improvement Refunding Bond Issue - In November 2010, the City issued $91,560,000 of Public Improvement Refunding Bonds, Series 2010. The net proceeds of $108,587,889 (after issue costs, discounts, and premiums) from the refunding were used to refund $41,500,000 of Public Improvement Bonds, Series 2002; $31,785,000 of Public Improvement Refunding Bonds, Series 2003; $20,010,000 of Certificates of Obligations, Series 2001 and 2002; $2,090,000 of Circle C MUD #3 and Circle C MUD #4 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996;$4,040,000 of Davenport Ranch MUD #1 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1997 and Series 1997B; and $70,000 of Northwest Austin MUD #1 unlimited Tax Bonds, Series 2001. The refunding resulted in future interest requirements to service the debt of $40,480,158 with interest rates ranging from 3.5% to 5%. An economic gain of $9,426,174 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $11,427,089. An accounting loss of $9,634,358 was recognized on the refunding.

General obligation bonds authorized and unissued amounted to $263,252,000 at September 30, 2011. Bond ratings at September 30, 2011, were Aaa (Moody's Investor Services, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

Utility Debt - The City has previously issued combined debt for Austin Energy and Austin Water Utility. The City began issuing separate debt for electric and water and wastewater activities in 2000. The following paragraphs describe both combined and separate debt.

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

The total combined utility systems revenue bond obligations at September 30, 2011, exclusive of discounts, premiums, and loss on refundings consists of $119,597,846 prior lien bonds and $230,919,512 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $329,025,093 at September 30, 2011. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2011, for the prior lien and subordinate lien bonds were, respectively, A1 and A1 (Moody's Investor Services, Inc.), AA and AA (Standard & Poor's), and AA- and AA- (Fitch).

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

Combined Utility Systems Debt -- Revenue Bond Refunding Issues - The combined utility systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility. The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

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

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the original and refunding revenue bonds outstanding at September 30, 2011 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1990B Refunding	February 1990	$ 236,009	3,668	20,502	(1)(3)	7.35%	11/15/2014-2017
1992 Refunding	March 1992	265,806	14,002	40,043	(1)(3)	6.85%	11/15/2011-2012
1992A Refunding	May 1992	351,706	10,834	28,791	(1)(3)	6.80%	11/15/2011
1993 Refunding	January 1993	203,166	26,285	2,271	(1)(3)	6.30%	11/15/2011-2013
1994 Refunding	September 1994	142,559	26,894	96,961	(1)(3)	6.60%	05/15/2017-2019
1998 Refunding	July 1996	180,000	37,915	2,602	(1)(2)	6.75%	11/15/2011-2012
1998 Refunding	October 1998	139,965	134,745	68,036	(1)	5.25%	5/15/2012-2025
1998A Refunding	October 1998	105,350	91,404	69,178	(1)(3)	5.00%	5/15/2012-2028
1998B	August 1998	10,000	4,770	641	(1)	3.45 - 3.75%	11/15/2011-2017
			$ 350,517				

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

Combined Utility Systems Debt -- Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $350,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2011, were P-1 (Moody's Investor Services, Inc.), A-1+ (Standard & Poor's), and F1+ (Fitch). The notes are in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

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

At September 30, 2011, Austin Energy had outstanding commercial paper notes of $111,590,000 and Austin Water Utility had $207,210,000 of commercial paper notes outstanding. Interest rates on the notes range from 0.14% to 0.32%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Credit Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
various	JPMorgan Chase Bank, NA	0.85%	0.90%	Goldman Sachs	0.075%	$ 130,488	10/1/2014
various	Bank of America	0.85%	0.90%	Goldman Sachs	0.075%	81,875	10/1/2014
various	State Street	0.85%	0.90%	Goldman Sachs	0.075%	106,437	10/1/2014
						$ 318,800	

These notes are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the “taxable notes”) in an aggregate principal amount not to exceed $50,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City’s electric system and the City’s water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2011, were P-1 (Moody’s Investor Services, Inc.), A-1+ (Standard & Poor’s), and F1+ (Fitch).

The taxable notes are issued in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2011, Austin Energy had outstanding taxable notes of $41,019,000 (net of discount of $27,311), and Austin Water Utility had no taxable notes outstanding. Interest rates on the taxable notes range from 0.23% to 0.28%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The associated letter of credit agreement has the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
various	JPMorgan Chase Bank, NA	0.85%	Goldman Sachs	0.075%	$ 41,019	10/1/2014

These notes are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by JPMorgan Chase Bank, NA and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The Notes are secured by a direct-pay Letter of Credit issued by JPMorgan Chase Bank, NA which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the Ordinance. No term loan feature is provided by the Agreement.

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Energy. Bond ratings at September 30, 2011, were A1 (Moody’s Investor Services, Inc.), A+ (Standard & Poor’s), and AA- (Fitch).

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

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system original and refunding revenue bonds outstanding at September 30, 2011 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2002 Refunding	February 2002	$ 74,750	48,070	5,333 (1)	4.00 - 5.50%	11/15/2011-2014
2002A Refunding	July 2002	172,880	90,950	16,386 (1)	4.00 - 5.50%	11/15/2011-2016
2003 Refunding	February 2003	182,100	139,100	72,202 (1)	5.00 - 5.25%	11/15/2011-2028
2006 Refunding	May 2006	150,000	140,900	103,542 (1)	5.00%	11/15/2011-2035
2006A Refunding	October 2006	137,800	107,425	29,741 (1)	5.00%	11/15/2011-2022
2007 Refunding	August 2007	146,635	134,320	25,908 (1)	5.00%	11/15/2011-2020
2008 Refunding	March 2008	50,000	47,795	39,141 (1)	3.43 - 6.26%	11/15/2011-2032
2008A Refunding	July 2008	175,000	174,800	168,524 (1)	4.00 - 6.00%	11/15/2011-2038
2010A Refunding	June 2010	119,255	119,255	83,614 (1)	2.00 - 5.00%	11/15/2012-2040
2010B Refunding	June 2010	100,990	100,990	115,197 (1)	4.54 - 5.72%	11/15/2019-2040
			$ 1,103,605			

(1) Interest is paid semiannually on May 15 and November 15.

Electric Utility System Revenue Debt – Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2011 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,258,871	907,524	351,347	172,631	203.5%

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

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue water and wastewater system revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Water Utility.

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues - In November 2010, the City issued $76,855,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2010A. Proceeds from the bond refunding were used to refund $75,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system. The debt service requirements on the refunding bonds are $153,171,897, with interest rates ranging from 4% to 5.13%. Interest payments are due May 15 and November 15 of each year from 2011 to 2040. Principal payments are due November 15 of each year from 2015 to 2040. No change in net cash flows resulted from this transaction, and no accounting gain or loss was recognized on this refunding.

In November 2010, the City issued $100,970,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2010B. These bonds are Build America Bonds (BABs) and are part of the Federal American Recovery and Reinvestment Act of 2009. Proceeds from the bond refunding were used to refund $100,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system. The debt service requirements on the refunding bonds are $213,428,131, with interest rates ranging from 2.49% to 6.02%. Interest payments are due May 15 and November 15 of each year from 2011 to 2040. Principal payments are due November 15 of each year from 2015 to 2040. No change in net cash flows resulted from this transaction, and no accounting gain or loss was recognized on this refunding.

In 2011, the City converted an additional $12,750,000 of initial bonds to definitive Water and Wastewater System Revenue Bonds, Series 2010. With these issuances, the outstanding commitment with the Texas Water Development Board (TWDB) is now $23,590,000 (see Note 13).

6 – DEBT AND NON-DEBT LIABILITIES, continued

c -- Business-Type Activities Long-Term Liabilities, continued

Bond ratings at September 30, 2011, were Aa2 (Moody's Investor Services, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2011 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2001A Refunding	April 2001	$ 152,180	9,260	7,007	(1)	4.63 - 5.75%	11/15/2011-2031 (3)
2001B Refunding	April 2001	73,200	7,895	6,228	(1)	5.13 - 5.75%	5/15/2012-2031
2001C Refunding	November 2001	95,380	13,405	1,578	(1)	4.30 - 5.38%	11/15/2011-2015 (3)
2002A Refunding	July 2002	139,695	71,560	14,461	(1)	4.00 - 5.50%	11/15/2011-2016
2003 Refunding	February 2003	121,500	75,800	44,895	(1)	4.00 - 5.25%	11/15/2011-2028
2004 Refunding	August 2004	132,475	114,545	24,565	(2)	0.13 - 0.45%	11/15/2011-2024
2004A Refunding	September 2004	165,145	147,965	80,960	(1)	5.00%	11/15/2011-2029
2005 Refunding	May 2005	198,485	198,485	86,970	(1)	4.00 - 5.00%	5/15/2012-2030
2005A Refunding	October 2005	142,335	124,325	86,701	(1)	4.30 - 5.00%	5/15/2012-2035
2006 Refunding	August 2006	63,100	49,605	20,341	(1)	5.00%	11/15/2011-2025
2006A Refunding	November 2006	135,000	128,305	88,382	(1)	3.50 - 5.00%	11/15/2011-2036
2007 Refunding	November 2007	135,000	130,435	105,571	(1)	4.00 - 5.25%	11/15/2011-2037
2008 Refunding	May 2008	170,605	160,740	62,642	(2)	0.05 - 0.80%	11/15/2011-2031 (3)
2009 Refunding	January 2009	175,000	175,000	93,972	(1)	3.00 - 5.13%	11/15/2011-2029
2009A Refunding	November 2009	166,575	166,575	138,980	(1)	4.00 - 5.00%	11/15/2011-2039
2010	January 2010	23,590	23,590	--		0.00%	11/15/2012-2034
2010A Refunding	November 2010	76,855	76,855	74,253	(1)	4.00 - 5.13%	11/15/2013-2040
2010B Refunding	November 2010	100,970	100,970	109,524	(1)	2.49 - 6.02%	11/15/2015-2040
			$ 1,775,315				

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.
(3) Series matures on May 15th of the final year

The Series 2004 and 2008 refunding bonds are variable rate demand bonds. The associated letter of credit agreements have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2004	Landesbank Baden-Wurttemberg	0.75%	JP Morgan Chase Bank, NA	0.075%	$ 114,545	12/29/2015
2008	Sumitoma Mitsui Banking Corp./The Bank of Tokyo-Mitsubishi UFJ, Ltd	0.85%	Goldman Sachs	0.050%	160,740	5/8/2015
					$ 275,285	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity providers and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

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

Water and Wastewater System Revenue Debt -- Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2011 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 448,467	163,531	284,936	155,881	182.8%

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

Airport -- Revenue Bonds - The City's Airport Fund issues airport system revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. At September 30, 2011, the total airport system obligation for prior lien bonds is $295,015,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $97,646,000 at September 30, 2011. Revenue bonds authorized and unissued amount to $735,795,000.

The bond rating at September 30, 2011, for the prior lien bonds is A (Standard & Poor's).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2011 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2003 Refunding	December 2003	$ 54,250	46,665	12,061 (1)	4.00 - 5.25%	11/15/2011-2018
2008 Remarketing	April 2008	281,300	248,350	85,585 (2)	0.05% - 2.00%	11/15/2011-2025
			$ 295,015			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.

The Series 2008 remarketing bonds are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of $248,350,000. The associated letter of credit agreements have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2005-1	JPMorgan Chase Bank, NA	1.35%	Morgan Stanley	0.10%	$ 62,075	6/21/2014
2005-2	JPMorgan Chase Bank, NA	1.35%	Morgan Stanley	0.10%	62,050	6/21/2014
2005-3	KBC Bank, N.V.	1.35%	Morgan Stanley	0.10%	62,100	6/21/2014
2005-4	Royal Bank of Canada	1.35%	Morgan Stanley	0.10%	62,125	6/21/2014
					$ 248,350	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

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

Airport Debt -- Variable Rate Revenue Notes - The City is authorized by ordinance to issue airport system variable rate revenue notes. At September 30, 2011, 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 $12,686,362 including accrued interest, at September 30, 2011, and was restricted within the airport system. During fiscal year 2011, interest rates on the notes ranged from 0.05% to 0.33%, adjusted weekly at market rates; 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.

The Series 1998 revenue notes are variable rate demand notes. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
1998	State Street	1.75%	Citi	0.125%	$ 28,000	8/18/2012

These notes are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by State Street and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The bond rating at September 30, 2011, for the airport variable rate notes was NUR (no underlying rating).

Airport Revenue Debt -- Pledged Revenues - The net revenue of the Airport Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2011 (in thousands):

Gross Revenue (1)	Other available funds (2)	Operating Expense (3)(4)	Net Revenue and Other Available Funds	Debt Service Requirement (5)	Revenue Bond Coverage
$ 90,259	8,342	59,965	38,636	14,954	258.4%

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

Nonmajor fund:

Convention Center -- Prior and Subordinate Lien Revenue Bonds - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2011, the total convention center obligation for prior and subordinate lien bonds is $215,470,000, exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $81,086,840 at September 30, 2011. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2011.

Bond ratings at September 30, 2011, for the revenue bonds were A1 (Moody's Investor Services, Inc.), and A- (Standard & Poor's).

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

The following table summarizes Convention Center original and refunding revenue bonds outstanding at September 30, 2011 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1999A	June 1999	$ 25,000	20,830	12,565 (1)	5.10 - 5.50%	11/15/2011-2029
2004 Refunding	February 2004	52,715	40,390	9,758 (1)	5.00%	11/15/2011-2019
2005 Refunding	May 2005	36,720	36,720	20,037 (1)	3.30 - 5.00%	11/15/2011-2029
2008AB Refunding	August 2008	125,280	117,530	38,726 (2)	0.07 - 3.25%	11/15/2011-2029
			$ 215,470			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement calculated utilizing the rate in effect at the end of the fiscal year.

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

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	JPMorgan Chase Bank, NA	1.10%	Morgan Keegan	0.060%	$ 58,765	7/25/2014
2008-B	Bank of America, NA	1.10%	Merrill Lynch, Pierce, Fenner& Smith Inc.	0.050%	58,765	7/25/2014
					$ 117,530	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

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

Governmental Activities (in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2012	$ 48,426	37,976	8,248	2,501	3,735	1,277
2013	53,952	35,705	3,979	2,145	2,165	1,169
2014	50,103	33,224	4,200	2,001	2,161	1,097
2015	51,422	30,883	2,617	1,849	2,688	1,009
2016	46,676	28,500	2,752	1,739	2,256	899
2017-2021	271,123	105,430	15,766	6,950	7,835	3,486
2022-2026	182,792	49,825	19,070	3,477	8,775	1,836
2027-2031	121,581	10,335	5,601	454	3,145	271
	826,075	331,878	62,233	21,116	32,760	11,044
Less: Unamortized bond discounts	(678)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(19,068)	--	--	--	--	--
Add: Unamortized bond premiums	36,379	--	193	--	234	--
Net debt service requirements	842,708	331,878	62,426	21,116	32,994	11,044

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Governmental Debt Service Requirements Principal	Total Governmental Debt Service Requirements Interest	Total Governmental Debt Service Requirements Total
2012	274	8	60,683	41,762	102,445
2013	159	3	60,255	39,022	99,277
2014	--	--	56,464	36,322	92,786
2015	--	--	56,727	33,741	90,468
2016	--	--	51,684	31,138	82,822
2017-2021	--	--	294,724	115,866	410,590
2022-2026	--	--	210,637	55,138	265,775
2027-2031	--	--	130,327	11,060	141,387
	433	11	921,501	364,049	1,285,550
Less: Unamortized bond discounts	--	--	(678)	--	(678)
Unamortized gain(loss) on bond refundings	--	--	(19,068)	--	(19,068)
Add: Unamortized bond premiums	--	--	36,806	--	36,806
Net debt service requirements	$ 433	11	938,561	364,049	1,302,610

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

Austin Energy Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest
2012	$ 78	49	40	76	152,609	28
2013	125	45	42	74	--	--
2014	131	39	44	72	--	--
2015	139	33	47	69	--	--
2016	112	26	49	67	--	--
2017-2021	402	45	286	293	--	--
2022-2026	--	--	367	214	--	--
2027-2031	--	--	383	100	--	--
	987	237	1,258	965	152,609	28
Less: Unamortized bond discount	(2)	--	--	--	(27)	--
Unamortized gain(loss) on bond refundings	--	--	--	--	--	--
Add: Unamortized bond premium	45	--	--	--	--	--
Net debt service requirements	1,030	237	1,258	965	152,582	28

Fiscal Year Ended September 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Austin Energy Debt Service Requirements Principal	Total Austin Energy Debt Service Requirements Interest	Total Austin Energy Debt Service Requirements Total
2012	75,772	92,959	228,499	93,112	321,611
2013	105,092	69,013	105,259	69,132	174,391
2014	123,006	53,912	123,181	54,023	177,204
2015	79,754	50,964	79,940	51,066	131,006
2016	52,996	47,779	53,157	47,872	101,029
2017-2021	218,125	194,397	218,813	194,735	413,548
2022-2026	221,294	132,384	221,661	132,598	354,259
2027-2031	190,175	77,444	190,558	77,544	268,102
2032-2036	128,930	36,492	128,930	36,492	165,422
2037-2041	73,640	8,220	73,640	8,220	81,860
	1,268,784	763,564	1,423,638	764,794	2,188,432
Less: Unamortized bond discounts	(2,063)	--	(2,092)	--	(2,092)
Unamortized gain(loss) on bond refundings	(44,107)	--	(44,107)	--	(44,107)
Add: Unamortized bond premiums	33,482	--	33,527	--	33,527
Net debt service requirements	$ 1,256,096	763,564	1,410,966	764,794	2,175,760

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

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

Austin Water Utility Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Contractual Obligations Principal	Contractual Obligations Interest	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest
2012	$ 1,101	338	3,231	301	430	290
2013	1,206	281	2,857	199	441	274
2014	976	218	2,144	105	461	256
2015	1,013	178	1,050	51	476	238
2016	1,025	136	733	27	508	218
2017-2021	1,673	147	642	10	2,008	1,277
2022-2026	14	1	--	--	2,894	374
	7,008	1,299	10,657	693	7,218	2,927
Less: Unamortized bond discounts	(11)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(1,678)	--	--	--	--	--
Add: Unamortized bond premiums	655	--	93	--	--	--
Net debt service requirements	5,974	1,299	10,750	693	7,218	2,927

Fiscal Year Ended September 30	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds (2) Principal	Revenue Bonds (2) Interest	Total Austin Water Utility Debt Service Requirements Principal	Interest	Total
2012	207,210	17	67,295	107,033	279,267	107,979	387,246
2013	--	--	81,482	97,596	85,986	98,350	184,336
2014	--	--	105,119	82,858	108,700	83,437	192,137
2015	--	--	96,612	87,272	99,151	87,739	186,890
2016	--	--	105,573	77,281	107,839	77,662	185,501
2017-2021	--	--	395,986	422,474	400,309	423,908	824,217
2022-2026	--	--	435,560	214,769	438,468	215,144	653,612
2027-2031	--	--	384,700	114,771	384,700	114,771	499,471
2032-2036	--	--	163,880	54,644	163,880	54,644	218,524
2037-2041	--	--	124,445	13,379	124,445	13,379	137,824
	207,210	17	1,960,652	1,272,077	2,192,745	1,277,013	3,469,758
Less: Unamortized bond discounts	--	--	(7,152)	--	(7,163)	--	(7,163)
Unamortized gain(loss) on bond refundings	--	--	(41,983)	--	(43,661)	--	(43,661)
Add: Unamortized bond premiums	--	--	42,171	--	42,919	--	42,919
Net debt service requirements	$ 207,210	17	1,953,688	1,272,077	2,184,840	1,277,013	3,461,853

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.
(2) Portions of these bonds are variable rate bonds with rates of 0.05% to 0.80%.

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

Airport Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Notes (1) Principal	Revenue Notes (1) Interest	Revenue Bonds (2) Principal	Revenue Bonds (2) Interest
2012	$ 30	11	--	980	14,165	12,033
2013	39	10	--	980	14,795	11,466
2014	26	8	--	980	15,610	10,699
2015	28	6	--	980	16,345	10,042
2016	22	5	--	980	17,105	9,357
2017-2021	78	9	28,000	1,470	103,070	33,480
2022-2026	1	--	--	--	113,925	10,569
	224	49	28,000	6,370	295,015	97,646
Less: Unamortized bond discounts	(1)	--	--	--	(741)	--
Unamortized gain(loss) on bond refundings	1	--	--	--	(13,334)	--
Add: Unamortized bond premiums	8	--	--	--	1,663	--
Net debt service requirements	232	49	28,000	6,370	282,603	97,646

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2012	14,195	13,024	27,219
2013	14,834	12,456	27,290
2014	15,636	11,687	27,323
2015	16,373	11,028	27,401
2016	17,127	10,342	27,469
2017-2021	131,148	34,959	166,107
2022-2026	113,926	10,569	124,495
	323,239	104,065	427,304
Less: Unamortized bond discounts	(742)	--	(742)
Unamortized gain(loss) on bond refundings	(13,333)	--	(13,333)
Add: Unamortized bond premiums	1,671	--	1,671
Net debt service requirements	310,835	104,065	414,900

(1) These are variable rate notes with rates ranging from 0.05% to 0.33%.
(2) Portions of these bonds are variable rate bonds with rates ranging from 0.05% to 2.0%.

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

Nonmajor Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2012	$ 1,461	877	2,737	1,678	9,248	1,093
2013	1,598	802	2,251	1,562	8,718	829
2014	1,934	721	2,360	1,469	7,605	594
2015	1,808	630	2,013	1,372	6,967	401
2016	1,810	544	2,113	1,289	5,406	216
2017-2021	8,360	1,374	10,864	5,298	5,749	190
2022-2026	718	36	10,610	2,569	--	--
2027-2031	--	--	4,724	1,083	--	--
2032-2036	--	--	1,480	477	--	--
2037-2041	--	--	1,090	105	--	--
	17,689	4,984	40,242	16,902	43,693	3,323
Less: Unamortized bond discounts	(38)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(1,229)	--	--	--	--	--
Add: Unamortized bond premiums	1,740	--	661	--	411	--
Net debt service requirements	18,162	4,984	40,903	16,902	44,104	3,323

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Nonmajor Debt Service Requirements Principal	Total Nonmajor Debt Service Requirements Interest	Total Nonmajor Debt Service Requirements Total
2012	241	163	9,450	8,483	23,137	12,294	35,431
2013	248	154	10,555	8,077	23,370	11,424	34,794
2014	259	144	11,000	7,635	23,158	10,563	33,721
2015	268	133	11,455	7,164	22,511	9,700	32,211
2016	286	123	11,965	6,663	21,580	8,835	30,415
2017-2021	1,128	718	62,090	25,253	88,191	32,833	121,024
2022-2026	1,626	210	50,625	14,247	63,579	17,062	80,641
2027-2031	--	--	48,330	3,564	53,054	4,647	57,701
2032-2036	--	--	--	--	1,480	477	1,957
2037-2041	--	--	--	--	1,090	105	1,195
	4,056	1,645	215,470	81,086	321,150	107,940	429,090
Less: Unamortized bond discounts	--	--	(610)	--	(648)	--	(648)
Unamortized gain(loss) on bond refundings	--	--	(15,801)	--	(17,030)	--	(17,030)
Add: Unamortized bond premiums	--	--	2,831	--	5,643	--	5,643
Net debt service requirements	$ 4,056	1,645	201,890	81,086	309,115	107,940	417,055

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.07% to 3.15%.

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

Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 2,670	1,275	2,737	1,678	12,479	1,394
2013	2,968	1,138	2,251	1,562	11,575	1,028
2014	3,067	986	2,360	1,469	9,749	699
2015	2,988	847	2,013	1,372	8,017	452
2016	2,969	711	2,113	1,289	6,139	243
2017-2021	10,513	1,575	10,864	5,298	6,391	200
2022-2026	733	37	10,610	2,569	--	--
2027-2031	--	--	4,724	1,083	--	--
2032-2036	--	--	1,480	477	--	--
2037-2041	--	--	1,090	105	--	--
	25,908	6,569	40,242	16,902	54,350	4,016
Less: Unamortized bond discounts	(52)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(2,906)	--	--	--	--	--
Add: Unamortized bond premiums	2,448	--	661	--	504	--
Net debt service requirements	25,398	6,569	40,903	16,902	54,854	4,016

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Notes (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	671	453	359,819	45	--	980
2013	689	428	--	--	--	980
2014	720	400	--	--	--	980
2015	744	371	--	--	--	980
2016	794	341	--	--	--	980
2017-2021	3,136	1,995	--	--	28,000	1,470
2022-2026	4,520	584	--	--	--	--
	11,274	4,572	359,819	45	28,000	6,370
Less: Unamortized bond discounts	--	--	(27)	--	--	--
Unamortized gain(loss) on bond refundings	--	--	--	--	--	--
Add: Unamortized bond premiums	--	--	--	--	--	--
Net debt service requirements	$ 11,274	4,572	359,792	45	28,000	6,370

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

(2) These are variable rate notes with rates ranging from 0.05% to 0.33%.

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

Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	Revenue Bonds (3)		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2012	$ 166,682	220,508	40	76
2013	211,924	186,152	42	74
2014	254,735	155,104	44	72
2015	204,166	155,442	47	69
2016	187,639	141,080	49	67
2017-2021	779,271	675,604	286	293
2022-2026	821,404	371,969	367	214
2027-2031	623,205	195,779	383	100
2032-2036	292,810	91,136	--	--
2037-2041	198,085	21,599	--	--
	3,739,921	2,214,373	1,258	965
Less: Unamortized bond discounts	(10,566)	--	--	--
Unamortized gain(loss) on bond refundings	(115,225)	--	--	--
Add: Unamortized bond premiums	80,147	--	--	--
Net debt service requirements	3,694,277	2,214,373	1,258	965

Fiscal Year Ended September 30	Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Total
2012	545,098	226,409	771,507
2013	229,449	191,362	420,811
2014	270,675	159,710	430,385
2015	217,975	159,533	377,508
2016	199,703	144,711	344,414
2017-2021	838,461	686,435	1,524,896
2022-2026	837,634	375,373	1,213,007
2027-2031	628,312	196,962	825,274
2032-2036	294,290	91,613	385,903
2037-2041	199,175	21,704	220,879
	4,260,772	2,253,812	6,514,584
Less: Unamortized bond discounts	(10,645)	--	(10,645)
Unamortized gain(loss) on bond refundings	(118,131)	--	(118,131)
Add: Unamortized bond premiums	83,760	--	83,760
Net debt service requirements	$ 4,215,756	2,253,812	6,469,568

(3) A portion of these bonds are variable rate bonds with rates ranging from 0.05% to 3.15%.

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

Over time, the City has issued refunding bonds to advance refund certain public improvement bonds, certificates of obligation, and enterprise revenue bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in an amount necessary to accomplish the discharge and final payment of the refunded obligations. These funds are held by the escrow agent in an escrow fund and used to purchase direct obligations of the United States of America to be held in the escrow fund. The escrow fund is irrevocably pledged to the payment of the principal and interest on the refunded obligations.

On September 30, 2011, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity	Balance (1)
General Obligation		
Certificates of Obligations, Series 2002	9/1/2012	$ 17,675
Public Improvement Bonds, Series 2002	9/1/2012	54,600
Public Improvement Bonds, Series 2003	9/1/2013	31,785
Certificates of Obligations, Series 2004	9/1/2014	1,355
Austin Energy		
Series 2003	5/15/2013	18,800
Austin Water Utility		
Series 2003	5/15/2013	29,100
		$ 153,315

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

7 – RETIREMENT PLANS
a -- Description

The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund, the City of Austin Police Officers' Retirement and Pension Fund, and the Fire Fighters' Relief and Retirement Fund of Austin, Texas. An independent board of trustees administers each plan. These plans are Citywide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 2010, except for the Fire Fighters' Relief and Retirement Fund which has a fiscal year ended December 31, 2009. Membership in the plans at December 31 is follows:

	City Employees	Police Officers	Fire Fighters	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	5,276	564	569	6,409
Current employees	8,270	1,624	982	10,876
Total	13,546	2,188	1,551	17,285

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.

7 – RETIREMENT PLANS, continued
a – Description, continued

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

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

b -- Funding Policy

	City of Austin Employees' Retirement and Pension Fund	City of Austin Police Officers' Retirement and Pension Fund	Fire Fighters' Relief and Retirement Fund
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.00%	13.00%	15.70%
City's contribution (percent of earnings)	14.0% (1)	19.63% (2)	19.05% (3)

(1) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 14% was effective October 1, 2010. The City contribution includes an 8% employee match plus a subsidy contribution of 6%. This rate increased to 16% effective October 1, 2011. The City contribution includes an 8% employee match plus a subsidy contribution of 8%.
(2) A rate of 19.63% was effective October 1, 2010. This rate increased to 20.63% effective October 1, 2011.
(3) A rate of 19.05% was effective October 1, 2010. This rate increased to 20.05% effective October 1, 2011.

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. Contributions for fiscal year ended September 30, 2011, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City	$ 64,297	26,111	14,918	105,326
Employees	36,588	17,292	12,295	66,175
Total contributions	$ 100,885	43,403	27,213	171,501

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

The City's annual pension cost of $119,533,000 for the fiscal year ended September 30, 2011, was $14,207,000 more than the City's actual contributions. Three-year trend information is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City's Annual Pension Cost (APC)				
2009	$ 59,067	19,909	10,102	89,078
2010	78,559	20,609	10,058	109,226
2011	81,615	22,269	15,649	119,533
Percentage of APC contributed				
2009	69%	97%	135%	N/A
2010	69%	112%	133%	N/A
2011	79%	117%	95%	N/A
Net Pension Obligation (Asset)				
2009	82,146	646	218	83,010
2010	106,376	(1,799)	(3,144)	101,433
2011	123,692	(5,641)	(2,414)	115,637

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

	City Employees	Police Officers	Fire Fighters	Total
Annual required contribution	$ 79,729	22,315	15,709	117,753
Interest on net pension obligation (asset)	8,244	(144)	(244)	7,856
Adjustment to annual required contribution	(6,360)	98	183	(6,079)
Annual pension cost	81,613	22,269	15,648	119,530
Employer contributions	(64,297)	(26,111)	(14,918)	(105,326)
Change in net pension obligation (asset)	17,316	(3,842)	730	14,204
Beginning net pension obligation (asset)	106,376	(1,799)	(3,144)	101,433
Net pension obligation (asset)	$ 123,692	(5,641)	(2,414)	115,637

7 – RETIREMENT PLANS, continued

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

The latest actuarial valuations for the City Employees' Retirement and Pension Fund and the Police Officers' Retirement and Pension Fund were completed as of December 31, 2010, while the Austin Fire Fighters' Relief and Retirement Fund was completed as of December 31, 2009. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	City Employees	Police Officers	Fire Fighters
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	3.25%	4%	3.5%
Projected Annual Salary Increases	5% to 6%	6.8% average	8%
Post Retirement Benefit Increase	None	None	1% per year
Assumed Rate of Return on Investments	7.75%	8%	7.75%
Amortization Method	Level percentage of projected payroll, open	Level percentage of projected payroll, open	Level percentage of projected payroll, open
Remaining Amortization Period	30 years	23.2 years	30 years

d -- Schedule of funding progress

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

Valuation Date, December 31		Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees 2010	$	1,711,600	2,460,700	749,100	69.6%	438,900	170.7%
Police Officers 2010		546,957	776,231	229,274	70.5%	127,732	179.5%
Fire Fighters (2) 2009		589,261	664,185	74,924	88.7%	78,980	94.9%

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

The schedule of funding progress, presented as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

8 – OTHER POST-EMPLOYMENT BENEFITS

a -- Description

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

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

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

Medical, dental, vision, and life insurance expenses are reported in the Employee Benefits Fund. The estimated pay-as-you-go cost of providing medical and life benefits was $22.7 million for 3,529 retirees in 2011 and $21.7 million for 3,318 retirees in 2010.

b -- Annual Other Post Employment Benefits (OPEB) Cost and Net OPEB (Obligation) Asset

The annual OPEB cost associated with the City's retiree benefits for the fiscal year ended September 30, 2011 is as follows (in thousands):

	OPEB
Annual required contribution	$ 139,759
Interest on net OPEB obligation	11,373
Adjustment to annual required contribution	(15,376)
Annual OPEB cost	135,756
Contributions made	(22,712)
Change in net OPEB obligation	113,044
Beginning net OPEB obligation	270,148
Net OPEB obligation	$ 383,192

c -- Schedule of Funding Progress at September 30, 2011 (in thousands):

Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
$ --	1,404,692	1,404,692	0%	668,679	210.1%

(1) UAAL - Unfunded Actuarial Accrued Liability

The schedule of funding progress, presented as RSI, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows (in thousands):

Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 107,207	18%	175,150
2010	116,704	18%	270,148
2011	135,756	17%	383,192

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

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

	OPEB
Actuarial Valuation Date	October 1, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage Open
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Investment Rate of Return	4.21%
Inflation Rate	N/A
Salary Increase	None
Payroll Increase	None
Health Care Cost Trend Rate	9.0% in 2011, decreasing 1.0% per year for five years to an ultimate trend of 5.0% in 2015

9 – DERIVATIVE INSTRUMENTS

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

The City reports the fair value of all derivative instruments on the statement of net assets. All derivative instruments are categorized into two basic types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net assets; and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, Austin Energy has established a Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, swaps, and congestion rights for the purpose of reducing exposure to natural gas, energy, and congestion price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

Hedging Derivative Instruments

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

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period. The fair value is calculated by deriving the difference between the closing futures price on the last day of the reporting period and purchase price at the time the positions were established. The fair value of the options are calculated using the Black/Scholes valuation method utilizing implied volatility based on the NYMEX closing settlement prices of the options as of the last day of the reporting period, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2011, $11.2 million in premiums was deferred. As of September 30, 2011, the fair value of Austin Energy's futures, options, swaps and congestion rights, was an unrealized loss of $70.5 million, of which $77.6 million is reported as derivative instruments in liabilities and $7.1 million is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the balance sheet using deferred outflows and deferred inflows.

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

Congestion Revenue Rights Derivatives
Preassigned Congestion Revenue Rights (PCRRs) and Transmission Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. The instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments.

As of September 30, 2011, PCRRs had a fair value of $75 thousand and CRRs had a fair value of $1.5 million and are reported as derivative instruments. The market value for CRRs and PCRRs is calculated using the implied market value (the difference between future proxy sink price and source price) multiplied by the number of open positions. The difference in the prices represents what the expected cost of congestion will be for that given point in time.

On September 30, 2011, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

			Fair Value at September 30, 2011					
Type of Transaction		**Reference Index**	**Maturity Dates**	**Notional Volumes**		**Fair Value**	**Change in Fair Value**	**Premiums Deferred**
Long	OTC Call Options	Henry Hub	Oct 2011 - Dec 2015	17,105,533	(1)	$ 2,356	900	16,246
Long	OTC Put Options	Henry Hub	Oct 2011 - Dec 2011	1,840,000	(1)	459	460	-
Long	Options	Henry Hub	Apr 2013 - Oct 2013	2,140,000	(1)	474	101	-
Long	Basis Swaps	WAHA	Oct 2011 - Dec 2013	7,930,000	(1)	2,257	726	-
n/a	Congestion Rights	ICE (2)	Oct 2011 - Dec 2011	3,040,661	(3)	1,530	(851)	-
			Derivative instruments (assets)			7,076	1,336	16,246
Short	OTC Call Options	Henry Hub	Oct 2011 - Dec 2011	(920,000)	(1)	(48)	121	-
Short	OTC Put Options	Henry Hub	Oct 2011 - Oct 2014	(14,365,000)	(1)	(30,865)	(5,197)	(5,039)
Long	Futures	Henry Hub	Oct 2011 - Jul 2013	917,500	(1)	(3,889)	(683)	-
Short	Options	Henry Hub	Apr 2013 - Oct 2013	(2,140,000)	(1)	(5,331)	(504)	-
Long	OTC Swaps	Henry Hub	Oct 2011 - Sep 2016	34,282,500	(1)	(37,425)	(13,993)	-
			Derivative instruments (liabilities)			(77,558)	(20,256)	(5,039)
			Total			$ (70,482)	(18,920)	11,207

(1) Volume in MMBTUs
(2) IntercontinentalExchange
(3) Volume in MWHs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates.

The realized gains and losses related to the hedging activity derivative instruments are netted to fuel expense in the period realized.

Risks

Credit Risk. Credit risk is the risk of loss due to a counterparty defaulting on its obligations. Austin Energy's fuel derivative contracts expose Austin Energy to custodial credit risk on Exchange Traded derivative positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the brokerages to fail to meet their obligations given their high credit ratings and the strict and deep credit requirements upheld by NYMEX, which these brokerage houses are members. At September 30, 2011, the brokerages had credit ratings of A and BBB-.

The over-the-counter agreements expose Austin Energy to credit risk. In the event of default Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit rating. At September 30, 2011, the two counterparties had credit ratings of AA- and A. The contractual provisions under the ISDA (International Swaps and Derivatives Association) agreement applied to these contracts include collateral provisions. At September 30, 2011 no collateral was required under these provisions.

The congestion rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default of nonperformance Austin Energy's operations will not be materially affected. However, Austin Energy does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

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

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. Termination risk for exchange-traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission. Austin Energy's exposure to termination risk for over-the counter agreements is minimal due to the high credit rating of the counterparties, and the contractual provisions under the ISDA (International Swaps and Derivatives Association) agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivatives up to the fair value of the instrument.

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on it's obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub). As of September 30, 2011, the NYMEX price was $3.76 per MMBTU, the WAHA Hub price was $3.67 per MMBTU, Katy was $3.685 per MMBTU, and the HSC Hub price was $3.705 per MMBTU.

Investment Derivative Instruments

On September 30, 2011, Austin Energy had the following closed out investment derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2011: Maturity Dates	Volumes in MMBTU	Fair Value	Change in Fair Value
Long	OTC Call Options	Henry Hub	Oct 2011 - Oct 2013	12,055,000	$ 1,238	1,238
Short	OTC Call Options	Henry Hub	Oct 2011 - Oct 2013	(12,055,000)	(1,238)	(1,238)
Long	Futures	Henry Hub	Aug 2013 - Oct 2013	230,000	(938)	(92)
Short	Futures	Henry Hub	Aug 2013 - Oct 2013	(230,000)	869	92
					$ (69)	--

At September 30, 2011, Austin Energy recorded an unrealized loss of $11 thousand on outstanding emission investment instruments.

In fiscal year 2011, Austin Energy sold Preassigned Congestion Revenue Rights (PCRRs) and recorded a gain of $811 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2011, $183 thousand remained deferred.

Risks

As of September 30, 2011, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

b -- Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of the City's swap portfolio is to change variable interest rate bonds to synthetically fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

As of September 30, 2011, the City has 4 outstanding swap transactions with initial and outstanding notional amounts totaling $734.6 million and $641.2 million, respectively. The mark-to-market or fair value for each swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the London Interbank Offered Rate (LIBOR) swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

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

On September 30, 2011, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date		Notional Amount	Fair Value
Business-Type Activities - Hedging derivatives:							
WW1	Water & Wastewater Revenue Refunding Bonds, Series 2004	Pay 3.657%, receive 68% of LIBOR	8/27/2004	5/15/2024	$	114,545	(16,280)
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031		160,740	(22,336)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025		248,350	(51,016)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive 67% of LIBOR	8/14/2008	11/15/2029		117,530	(19,179)
					$	641,165	(108,811)

All swaps are pay-fixed interest rate swaps. All were entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

The fair value of the City's interest rate swap hedging derivative instruments is reported as derivative instruments in liabilities with an offsetting adjustment to deferred outflow of resources. The table below provides for the fair value and changes in fair value of the City's interest rate swap agreements as of September 30, 2011 (in thousands):

			Fair Value and Classification as of September 30, 2011		Change in fair value for the year ended September 30, 2011	
Item		Outstanding Notional Amount	Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:						
Hedging derivative instruments (cash flow hedges):						
WW1	$	114,545	(16,280)	Non-current liability	195	--
WW2		160,740	(22,336)	Non-current liability	(4,205)	--
AIR1		248,350	(51,016)	Non-current liability	(2,790)	--
HOT1		117,530	(19,179)	Non-current liability	(2,539)	--
	$	641,165	(108,811)		(9,339)	--

Due to the continued low interest rate levels during fiscal year 2011, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2011. The fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received.

<u>Risks</u>

Credit risk. As of September 30, 2011, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates changes and the fair value of a swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

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

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2011 are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings: Moody's Investors Service Inc.	Counterparty Ratings: Standard & Poor's	Counterparty Ratings: Fitch, Inc
Business-Type Activities:					
WW1	Water & Wastewater Revenue Refunding Bonds, Series 2004	JPMorgan Chase Bank, NA	Aa1	AA-	AA-
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	Aa3	A	A+
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, Inc.	A2	A	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products	Aa3	A+	AA-

Swap agreements for all four swaps contain collateral agreements with the counterparties. These swap agreements require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreements. For Swap WW1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/Standard & Poor's (S&P). For Swap AIR1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P. For Swap HOT1, the credit support provider of MKFP is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

Swap payments and associated debt. The net cash flows for the City's interest rate swap hedging derivative instruments for the year ended September 30, 2011 are included in the table below (in thousands):

Item	Related Variable Rate Bonds		Counterparty Swap Interest: Pay	Counterparty Swap Interest: Receive	Counterparty Swap Interest: Net	Interest to Bondholders	Net Interest Payments
Business-Type Activities:							
WW1	Water & Wastewater Revenue Refunding Bonds, Series 2004	$	(4,209)	185	(4,024)	(366)	(4,390)
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008		(5,823)	367	(5,456)	(436)	(5,892)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005		(10,156)	425	(9,731)	(1,010)	(10,741)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008		(3,844)	185	(3,659)	(725)	(4,384)
		$	(24,032)	1,162	(22,870)	(2,537)	(25,407)

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

Basis and interest rate risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The City does not bear basis risk on Swap WW2. At September 30, 2011, the City bears basis risk on the three remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Tax risk. Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut that results in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 68% of LIBOR (a taxable index) on Swap WW1, 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Termination risk. The City or the counterparties may terminate any of the swaps if the other party falls to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased swap insurance on the Swap WW1 and Swap AIR1 to further reduce the possibility of termination risk.

Rollover risk. The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. The City is currently not exposed to rollover risk on its hedging derivative instruments.

Investment Derivative Instruments

At September 30, 2011, the City did not have any investment derivative instruments related to interest rate swaps.

c -- Swap Payments and Associated Debt

As of September 30, 2011, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable-Rate Bonds (in thousands) Principal	Interest	Interest Rate Swaps, Net	Total Interest
2012	$ 29,905	251	22,764	23,015
2013	23,750	237	21,844	22,081
2014	54,920	224	20,331	20,555
2015	43,465	201	18,499	18,700
2016	56,550	159	16,849	17,008
2017-2021	136,155	497	68,353	68,850
2022-2026	212,150	101	33,369	33,470
2027-2031	84,270	(31)	7,900	7,869
Total	$ 641,165	1,639	209,909	211,548

10 – DEFICITS IN FUND BALANCES AND NET ASSETS

At September 30, 2011, the following funds reported deficits in fund balances/net assets (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

Nonmajor Governmental		Deficit
Special Revenue Funds:		
Municipal Court Traffic Safety	$	35
Senior Nutrition		10
One Texas Center		395
Rutherford Lane Facility		966
Capital Projects Funds:		
Street & traffic signals		8
Parks and recreation facilities		288
Libraries		17
Radio Trunking		47
Cultural Facilities		3,407
Affordable Housing		5,304
Central Library		1,622
Mobility		3,044
Planning & development improvements		1
TPSD general improvements		1,731
Build Austin		281
Police and courts		6,797
Capital Reserve		332
Public Works		1,039
Watershed Protection		670
City Hall, plaza, parking garage		7,055
Conservation Land		15
Waller Creek Tunnel		3,518
Nonmajor Enterprise		
Solid Waste Services		3,791

11 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables, and advances at September 30, 2011, are as follows (in thousands):

		Amount		
Receivable Fund	**Payable Fund**		**Current**	**Long-Term**
Governmental funds:				
General Fund	Nonmajor governmental funds	$	227	--
Nonmajor governmental funds	Austin Water Utility		--	3,172
	General Fund		19	--
	Nonmajor enterprise funds		--	425
	Nonmajor governmental funds		44,452	--
Internal Service funds	Nonmajor governmental funds		11	92
Business-type funds:				
Austin Energy	Austin Water Utility (restricted)		1,240	22,723
	Airport		138	1,398
	General Fund		178	1,809
	Internal service funds		141	315
	Nonmajor enterprise funds		315	1,315
	Nonmajor governmental funds		--	227
Airport (restricted)	Nonmajor governmental funds		--	96
Nonmajor enterprise funds	Nonmajor enterprise funds		350	--
	Nonmajor governmental funds		--	59
		$	47,071	31,631

11 – INTERFUND BALANCES AND TRANSFERS, continued

Interfund receivables, payables, and advances reflect loans between funds. Of the above current amount, $10.4 million is an interfund loan from the Fiscal Surety Fund, a special revenue fund, to other special revenue funds (primarily grant funds) to cover deficit pooled investments and cash. The above current amount also includes $34.1 million in interfund loans between capital project funds to cover deficit pooled investments and cash.

Interfund transfers during fiscal year 2011 were as follows (in thousands):

	Transfers In			
Transfers Out	**General Fund**	**Nonmajor Governmental**	**Nonmajor Enterprise**	**Total**
General Fund	$ --	6,949	2,538	9,487
Nonmajor governmental funds	1,092	14,985	44,582	60,659
Austin Energy	103,000	758	--	103,758
Austin Water Utility	35,484	509	--	35,993
Nonmajor enterprise funds	1,872	3,989	--	5,861
Internal service funds	--	10,838	--	10,838
Total transfers out	$ 141,448	38,028	47,120	226,596

Interfund transfers are authorized through City Council approval. Significant transfers include Austin Energy and Austin Water Utility transfers to the General Fund, which are comparable to a return on investment to owners, and the transfer of hotel occupancy and vehicle rental tax collections from the Hotel-Motel Occupancy Tax and the Vehicle Rental Tax Funds to the Convention Center Fund.

12 – SELECTED REVENUES
a -- Major Enterprise Funds

Austin Energy and Austin Water Utility
The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 9, 2006, the PUC approved the City's most recent wholesale transmission rate of $1.002466/KW. Transmission revenues totaled approximately $59.1 million in 2011. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations and a debt service coverage approach.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, City management has elected not to enter the retail market, as allowed by state law.

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

Airport
The City has entered into certain lease agreements as lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2011, the Airport fund revenues included minimum concession guarantees of $8,834,593.

12 – SELECTED REVENUES, continued
a -- Major Enterprise Funds, continued

The following is a schedule by year of minimum future rentals on noncancelable operating leases with remaining terms of up to ten years for the Airport Fund as of September 30, 2011.

Fiscal Year Ended September 30	Enterprise Airport Lease Receipts
2012	$ 12,899
2013	11,140
2014	7,679
2015	575
2016	327
2017-2021	491
Totals	$ 33,111

Projection of minimum future rentals for the Austin-Bergstrom Landhost Enterprises, Inc. is based on the current adjusted minimum rent for the period May 1, 2009 through April 30, 2014. The minimum rent is adjusted every five years commensurate with the percentage increase in the Consumer Price Index – Urban Wage Earners and Clerical workers, U.S. Owner Average, (CPI) published by the U.S. Department of Labor Bureau of Labor Statistics over the five-year period.

13 – COMMITMENTS AND CONTINGENCIES
a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with LCRA. Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

FPP's Flexible Air permit received from the Texas Commission on Environmental Quality in 2002 requires that Austin Energy and LCRA install new SO2 scrubbers on FPP Units 1 and 2 by 2012. The scrubbers are currently in commercial operation.

Austin Energy's investment is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was $24.3 million as of September 30, 2011. The decrease in the pro-rata interest from 2010 is primarily due to the transfer of the scrubbers to Plant in Service. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various assets and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2011, Austin Energy's investment in the STP was approximately $446 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6). In addition, each participant has the obligation to finance any deficits that may occur.

Each participant appoints one member to the board of directors of STPNOC, as well as one other member to the management committee. A member of the management committee may serve on the board of directors in the absence of a board member. The City's portion of STP is classified as plant in service, construction in progress, and nuclear fuel inventory. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

STP requested a 20 year license renewal for units 1 & 2 with the nuclear Regulatory Commission (NRC). NRC's review of the license application is proceeding on schedule with an anticipated approval during the first quarter of 2013.

13 – COMMITMENTS AND CONTINGENCIES, continued
c -- South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted cash and restricted investments held by trustee. The related liability is reported as decommissioning liability payable. Excess or unfunded liabilities related to decommissioning STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. At September 30, 2011, the trust's assets were in excess of the estimated liability by $21.9 million which is reported as part of deferred revenue and other liabilities (in thousands):

Decommissioning trust assets	$ 168,948
Pro rata decommissioning liability	(147,036)
	$ 21,912

STP is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit a certificate of financial assurance to the NRC for plant decommissioning every two years or upon transfer of ownership. The certificate provides reasonable assurance that sufficient funds are being accumulated to provide the minimum requirement for decommissioning mandated by the NRC. The most recent annual calculation of financial assurance filed on December 31, 2010 showed that the trust assets exceeded the minimum required assurance by $29.2 million.

d -- Purchased Power

Austin Energy has commitments totaling $4.3 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2037, landfill power through 2020, biomass through 2032, and solar through 2035.

e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Seaholm Power Plants. The financial statements include a liability of approximately $27 million at September 30, 2011. Austin Energy anticipates payment of these costs in 2012 and future years. The amount is based on 2011 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Water Utility closed the Green Water Treatment Plant (GWTP) on September 23, 2008. The estimated decommissioning cost to close the GWTP is $11 million. The financial statements include a remaining liability of approximately $645 thousand at September 30, 2011. This amount is based on 2011 cost estimates. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Plant decommissioning reached substantial completion in fiscal year 2011, with final completion expected to occur in fiscal year 2012.

Solid Waste Services may incur costs for environmental remediation of certain sites outside of the City's landfill site. The financial statements include a liability of approximately $8.7 million at September 30, 2011 for sites related to Harold Court, Rosewood and Loop 360. Solid Waste Services anticipates payment of these costs in 2012 and future years. The amount is based on 2011 cost estimates to perform remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Texas Water Development Board

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

Total bonds authorized	$ 31,815
Definitive bonds issued to date	(23,590)
Remaining commitment	$ 8,225

13 – COMMITMENTS AND CONTINGENCIES, continued
f -- Texas Water Development Board, continued

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

g -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2011.

h -- Federal and State Financial Assistance Programs

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

i -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2011 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

The key projects in progress include improvements to and development of the electric system, water and wastewater systems, airport, transportation infrastructure, public recreation and culture activities, and urban growth management activities. Remaining commitments represent current unspent budget and future costs required to complete projects.

Project (in thousands)	Remaining Commitment
Governmental activities:	
General government	$ 62,175
Public safety	16,950
Transportation	135,800
Public health	2,525
Public recreation and culture	71,214
Urban growth management	70,121
Business-type activities:	
Electric	301,530
Water	664,243
Wastewater	531,595
Airport	73,399
Convention	11,171
Environmental and health services	21,002
Urban growth management	135,894
Total	$ 2,097,619

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

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Solid Waste Services Fund, a nonmajor enterprise fund. Substantial closure occurred in FY11, and the City is no longer accepting waste. Final closure is expected to occur in FY2012. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2011, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 12,961	7,282	20,243
% capacity used	100%	100%	100%
Cumulative liability accrued	12,961	7,282	20,243
Costs incurred	(12,734)	--	(12,734)
Closure and post-closure liability	$ 227	7,282	7,509

These amounts are based on the 2011 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

k -- Risk-Related Contingencies

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

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO or HMO for health coverage. Approximately 31% of city employees and 39% of retirees use the HMO option; approximately 69% of city employees and 61% of retirees use the PPO option. Costs are charged to city funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other city funds each year based on historical costs.
Workers' Compensation	Premium charges for this self-insured program are assessed to other funds each year based on the number of full-time equivalent (FTE) employees per fund.

The City purchases stop-loss insurance for the City's PPO and HMO. This stop-loss insurance covers individual claims that exceed $500,000 per calendar year, up to a maximum of $5 million. In fiscal year 2011, six claims exceeded the stop-loss limit of $500,000; during fiscal year 2010, six claims exceeded the stop-loss limit of $500,000, and during fiscal year 2009, five claims exceeded the stop-loss limit of $500,000. City coverage is unlimited for lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage for the last three years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third party liability coverage to contractors working on designated capital improvement project sites.

13 – COMMITMENTS AND CONTINGENCIES, continued
k -- Risk-Related Contingencies, continued

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund. Claims liabilities for the Liability Reserve Fund are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from $33.8 to $62.6 million. The City contributes amounts to an internal service fund based on an estimate of anticipated costs for claims each year.

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

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2011	2010	2011	2010	2011	2010
Liability balances, beginning of year	$ 10,558	9,260	7,576	6,965	15,301	14,052
Claims and changes in estimates	7,386	9,480	4,289	3,270	3,810	4,445
Claim payments	(7,306)	(8,182)	(4,280)	(2,659)	(3,473)	(3,196)
Liability balances, end of year	$ 10,638	10,558	7,585	7,576	15,638	15,301

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of $5.0 million discounted at 4.47% in 2011 and $4.9 million discounted at 4.22% in 2010.

l -- Redevelopment of Robert Mueller Municipal Airport

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

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

In October 2009, the MLGC issued debt in the amount of $15 million. Proceeds of the debt have been used to reimburse the developer for additional eligible infrastructure for the residential portion of the development. Debt service payments will be funded through an economic development grant from the City of Austin, and supported by property tax proceeds from the development.

The development contains Class A office space, medical uses, and more than 390.000 square feet of retail space. These uses host over 40 employers providing more than 3,300 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2011, approximately 707 single-family homes, 642 apartment units, and 88 condos were either complete or under construction.

m -- Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2011 was $22.9 million. The City expects these leases to be replaced with similar leases in the ordinary course of business. Future minimum lease payments for these leases will remain approximately the same.

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

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

The following summarizes capital assets recorded at September 30, 2011, under capital lease obligations (in thousands):

		Business-type Activities		
Capital Assets	**Governmental Activities**	**Electric**	**Airport**	**Total**
Building and improvements	$ --	1,405	--	1,405
Equipment	1,051	--	2,320	2,320
Accumulated depreciation	(648)	(316)	(2,217)	(2,533)
Net capital assets	$ 403	1,089	103	1,192

14 – LITIGATION

A number of claims and lawsuits against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and city management are of the opinion that settlement of these claims and lawsuits will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 2011. These liabilities, reported in the government-wide statement of net assets, include amounts for claims and lawsuits settled subsequent to year-end.

15 – CONDUIT DEBT

The City has issued several series of housing and industrial development revenue bonds to provide for low cost housing and for acquisition and construction of industrial and commercial facilities. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Prior to September 30, 1997, the City issued several series of bonds. The aggregate principal amount outstanding of these bonds could not be determined; however, their original issue amounts totaled $310.2 million. Subsequent to September 30, 1997, the City has issued $83.8 million in various series of housing revenue bonds that have an outstanding balance of $75.8 million as of September 30, 2011.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport and convention center. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2011, $344.4 million in revenue and revenue refunding bonds was outstanding that had an original issue value of $382.2 million.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

16 – RESTATEMENT AS A RESULT OF THE IMPLEMENTATION OF A NEW ACCOUNTING STANDARD

During fiscal year 2011, the City implemented a new accounting standard, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the standards for reporting fund balance classifications and made changes to the definitions of governmental fund types. GASB Statement No. 54 requires a restatement of prior financial statements for prior period impacts of implementation. The most significant change in the governmental fund type definitions were made to special revenue funds. The focus moved from the purpose of the expenditure to the source of the revenues and the use of those revenue streams. The City reviewed all governmental funds and determined that twenty-nine special revenue funds no longer met the special revenue definition. The main reason for this is because inflows to most of these funds were not specific revenues assigned for a special purpose, but were transfers from other funds with the intention of expending for a specified purpose. The funds providing the inflows include the General Fund, other nonmajor governmental funds, Austin Energy, Austin Water Utility, and other nonmajor enterprise funds. As a result, these twenty-nine funds were consolidated with their major source of funding for financial reporting under GASB Statement No. 54.

16 – RESTATEMENT AS A RESULT OF THE IMPLEMENTATION OF A NEW ACCOUNTING STANDARD, continued

The City has restated the beginning fund balances and beginning net assets in 2011 for the General Fund, nonmajor governmental funds, Governmental Activities, Austin Energy, Austin Water Utility, nonmajor enterprise funds, and Business-type activities to reflect this implementation as represented in the table below. In addition, beginning cash and cash equivalents balances on the proprietary cash flows were also restated.

	Exhibit A-2	
September 30, 2010	Governmental Activities	Business-Type Activities
Net assets, as previously reported	$ 1,558,548	2,904,310
Adjustments to properly record:		
Implementation of GASB Statement No. 54	(2,081)	2,081
Net assets, as restated	$ 1,556,467	2,906,391

	Exhibit B-2		
September 30, 2010	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances, as previously reported	$ 108,710	261,725	370,435
Adjustments to properly record:			
Implementation of GASB Statement No. 54	19,334	(21,415)	(2,081)
Fund balances, as restated	$ 128,044	240,310	368,354

	Exhibit C-2			
September 30, 2010	Austin Energy	Austin Water	Nonmajor Enterprise Funds	Business-Type Activities
Net assets, as previously reported	$ 1,599,555	502,440	321,730	2,892,544
Adjustments to properly record:				
Implementation of GASB Statement No. 54	1,335	265	481	2,081
Net assets, as restated	$ 1,600,890	502,705	322,211	2,894,625

	Exhibit C-3			
September 30, 2010	Austin Energy	Austin Water	Nonmajor Enterprise Funds	Business-Type Activities
Cash and cash equivalents, as previously reported	$ 216,509	66,984	167,095	619,186
Adjustments to properly record:				
Implementation of GASB Statement No. 54	2,284	587	515	3,386
Cash and cash equivalents, as restated	$ 218,793	67,571	167,610	622,572

17 – SUBSEQUENT EVENTS
a -- General Obligation Bond Issue

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

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

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

In October 2011, the City delivered $51,150,000 of Certificates of Obligation, Series 2011. The proceeds from this issue will be used as follows: Solid Waste Environmental Remediation ($8,650,000), Transportation Projects ($7,500,000), and Waller Creek Project ($35,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2012 to 2041. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2012. Total interest requirements for these obligations, at rates ranging from 3.0% to 4.3%, are $35,660,738.

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

b -- Public Improvement Refunding Bond Issue

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

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

c -- Water and Wastewater System Revenue Refunding Bond Issue

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

17 – SUBSEQUENT EVENTS, continued
d -- Texas Water Development Board

As of February 24, 2012, the City has converted an additional $3,010,000 of initial bonds to definitive Water and Wastewater System Revenue Bonds, Series 2010 over three separate draw requests. With these issuances, the outstanding commitment with the TWDB in now reduced to $5,215,000.

e -- Special Assessment Bonds Issue

In November 2011, the City issued $15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-054 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater, and roadway public improvements for the benefit of Whisper Valley Public Improvement District; funding of a reserve fund; payment of a portion of the costs incidental to the organization of the District; funding of capitalized interest; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from pledged revenues and any other funds held under the indenture, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. These term bonds mature on September 1 of 2018, 2020, 2022, and 2026 and are subject to mandatory sinking fund redemption prior to their respective maturities. Interest is payable on September 1 of each year, commencing September 1, 2012. Total interest requirements for these bonds, at rates ranging from 7.875% to 8.5%, are $14,194,080.

In November 2011, the City issued $2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-052 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater, and roadway public improvements for the benefit of Indian Hills Public Improvement District; funding of a reserve fund; payment of a portion of the costs incidental to the organization of the District; funding of capitalized interest; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from pledged revenues and any other funds held under the indenture, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. These term bonds mature on September 1 of 2018, 2020, 2022, and 2026 and are subject to mandatory sinking fund redemption prior to their respective maturities. Interest is payable on September 1 of each year, commencing September 1, 2012. Total interest requirements for these bonds, at rates ranging from 7.875% to 8.5%, are $2,617,613.

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

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

17 – SUBSEQUENT EVENTS, continued

f -- Convention Center - Subordinate Lien Revenue Refunding Bonds

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

REQUIRED SUPPLEMENTARY INFORMATION

(In thousands)

General Fund

	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 409,344	--	409,344	401,767	401,767	7,577
Franchise fees	32,904	8	32,912	35,139	35,139	(2,227)
Fines, forfeitures and penalties	18,131	(5)	18,126	18,863	18,863	(737)
Licenses, permits and inspections	18,653	--	18,653	13,036	13,353	5,300
Charges for services/goods	44,464	(7)	44,457	40,780	41,834	2,623
Interest and other	5,096	(1,062)	4,034	5,314	5,588	(1,554)
Total revenues	528,592	(1,066)	527,526	514,899	516,544	10,982
EXPENDITURES						
General government						
Municipal Court	12,229	10	12,239	12,426	12,426	187
Public safety						
Police	246,985	(173)	246,812	250,889	250,889	4,077
Fire	126,927	(1,247)	125,680	126,637	126,637	957
Emergency Medical Services	48,180	(499)	47,681	46,550	47,777	96
Transportation, planning and sustainability						
Transportation, Planning and Sustainability	14	(14)	--	--	--	--
Public health:						
Health	39,230	883	40,113	40,046	40,506	393
Public recreation and culture						
Parks and Recreation	46,210	(2,326)	43,884	44,013	44,013	129
Austin Public Library	25,979	(44)	25,935	26,207	26,207	272
Urban growth management						
Neighborhood Planning and Zoning	19,540	48	19,588	21,194	21,194	1,606
Development Services and Watershed Protection	3	(3)	--	--	--	--
Other Urban Growth Management	14,756	(669)	14,087	15,841	15,358	1,271
General city responsibilities (4)	74,291	(53,090)	21,201	19,655	19,655	(1,546)
Total expenditures	654,344	(57,124)	597,220	603,458	604,662	7,442
Excess (deficiency) of revenues over expenditures	(125,752)	56,058	(69,694)	(88,559)	(88,118)	18,424
OTHER FINANCING SOURCES (USES)						
Transfers in	141,448	13,574	155,022	154,073	154,073	949
Transfers out	(9,487)	(71,931)	(81,418)	(79,321)	(80,989)	(429)
Total other financing sources (uses)	131,961	(58,357)	73,604	74,752	73,084	520
Excess (deficiency) of revenues and other sources over expenditures and other uses	6,209	(2,299)	3,910	(13,807)	(15,034)	18,944
Fund balance at beginning of year	128,044	(10,927)	117,117	97,991	118,780	(1,663)
Fund balance at end of year	$ 134,253	(13,226)	121,027	84,184	103,746	17,281

(Continued)

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.
(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs, budgeted payroll accrual, and amounts budgeted as fund-level expenditures.

(In thousands) (Continued)

Budgetary General Fund

	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 409,344	--	409,344	401,767	401,767	7,577
Franchise fees	32,904	8	32,912	35,139	35,139	(2,227)
Fines, forfeitures and penalties	18,131	(5)	18,126	18,863	18,863	(737)
Licenses, permits and inspections	18,653	--	18,653	13,036	13,353	5,300
Charges for services/goods	44,463	(7)	44,456	40,780	41,834	2,622
Interest and other	4,984	(1,062)	3,922	5,194	5,468	(1,546)
Total revenues	528,479	(1,066)	527,413	514,779	516,424	10,989
EXPENDITURES						
General government						
Municipal Court	12,229	10	12,239	12,426	12,426	187
Public safety						
Police	246,985	(173)	246,812	250,889	250,889	4,077
Fire	126,927	(1,247)	125,680	126,637	126,637	957
Emergency Medical Services	48,180	(499)	47,681	46,550	47,777	96
Transportation, planning and sustainability						
Transportation, Planning and Sustainability	14	(14)	--	--	--	--
Public health:						
Health	39,230	883	40,113	40,046	40,506	393
Public recreation and culture						
Parks and Recreation	46,210	(2,326)	43,884	44,013	44,013	129
Austin Public Library	25,979	(44)	25,935	26,207	26,207	272
Urban growth management						
Neighborhood Planning and Zoning	19,540	48	19,588	21,194	21,194	1,606
Development Services and Watershed Protection	3	(3)	--	--	--	--
Other Urban Growth Management	42	(42)	--	--	--	--
General city responsibilities (4)	74,291	(53,090)	21,201	19,655	19,655	(1,546)
Total expenditures	639,630	(56,497)	583,133	587,617	589,304	6,171
Excess (deficiency) of revenues over expenditures	(111,151)	55,431	(55,720)	(72,838)	(72,880)	17,160
OTHER FINANCING SOURCES (USES)						
Transfers in	134,263	1,200	135,463	135,463	135,463	--
Transfers out	(7,819)	(69,629)	(77,448)	(77,019)	(77,019)	(429)
Total other financing sources (uses)	126,444	(68,429)	58,015	58,444	58,444	(429)
Excess (deficiency) of revenues and other sources over expenditures and other uses	15,293	(12,998)	2,295	(14,394)	(14,436)	16,731
Fund balance at beginning of year	110,127	(10,208)	99,919	79,485	100,274	(355)
Fund balance at end of year	$ 125,420	(23,206)	102,214	65,091	85,838	16,376

(Continued)

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.
(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs, budgeted payroll accrual, and amounts budgeted as fund-level expenditures.

(In thousands) (Continued)

Economic Incentives Reserve

	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Interest and other	$ 49	--	49	--	--	49
Total revenues	49	--	49	--	--	49
EXPENDITURES						
Other Urban Growth Management	8,269	(502)	7,767	9,853	8,870	1,103
Total expenditures	8,269	(502)	7,767	9,853	8,870	1,103
Excess (deficiency) of revenues over expenditures	(8,220)	502	(7,718)	(9,853)	(8,870)	1,152
OTHER FINANCING SOURCES (USES)						
Transfers in	1,092	10,072	11,164	10,735	10,735	429
Transfers out	(983)	--	(983)	--	(983)	--
Total other financing sources (uses)	109	10,072	10,181	10,735	9,752	429
Excess (deficiency) of revenues and other sources over expenditures and other uses	(8,111)	10,574	2,463	882	882	1,581
Fund balance at beginning of year	5,364	(255)	5,109	6,417	6,417	(1,308)
Fund balance at end of year	(2,747)	10,319	7,572	7,299	7,299	273

New Central Library

	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Interest and other	55	--	55	120	120	(65)
Total revenues	55	--	55	120	120	(65)
Fund balance at beginning of year	10,418	--	10,418	10,418	10,418	--
Fund balance at end of year	$ 10,473	--	10,473	10,538	10,538	(65)

(Continued)

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.

(In thousands) (Continued)

Neighborhood Housing and Community Development	**Actual**	**Adjustments (1) (2)**	**Actual-Budget Basis**	**Budget Original**	**Budget Final**	**Variance (3) Positive (Negative)**
REVENUES						
Charges for services/goods	$ 1	--	1	--	--	1
Interest and other	8	--	8	--	--	8
Total revenues	9	--	9	--	--	9
EXPENDITURES						
Other Urban Growth Mangement	2,616	(283)	2,333	2,501	2,501	168
Total expenditures	2,616	(283)	2,333	2,501	2,501	168
Excess (deficiency) of revenues over expenditures	(2,607)	283	(2,324)	(2,501)	(2,501)	177
OTHER FINANCING SOURCES (USES)						
Transfers in	--	2,302	2,302	2,302	2,302	--
Total other financing sources (uses)	--	2,302	2,302	2,302	2,302	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,607)	2,585	(22)	(199)	(199)	177
Fund balance at beginning of year	607	(351)	256	256	256	--
Fund balance at end of year	(2,000)	2,234	234	57	57	177

Sustainability	**Actual**	**Adjustments (1) (2)**	**Actual-Budget Basis**	**Budget Original**	**Budget Final**	**Variance (3) Positive (Negative)**
EXPENDITURES						
Other Urban Growth Mangement	3,829	158	3,987	3,487	3,987	--
Total expenditures	3,829	158	3,987	3,487	3,987	--
Excess (deficiency) of revenues over expenditures	(3,829)	(158)	(3,987)	(3,487)	(3,987)	--
Transfers in	6,093	--	6,093	5,573	5,573	520
Transfers out	(685)	(2,302)	(2,987)	(2,302)	(2,987)	--
Total other financing sources (uses)	5,408	(2,302)	3,106	3,271	2,586	520
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,579	(2,460)	(881)	(216)	(1,401)	520
Fund balance at beginning of year	1,528	(113)	1,415	1,415	1,415	--
Fund balance at end of year	$ 3,107	(2,573)	534	1,199	14	520

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.

BUDGET BASIS REPORTING

a -- General

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

The General fund, as reported in the financial statements is comprised of five separately budgeted funds. The Budgetary General Fund which represents the General Fund as budgeted by the City plus the Economic Incentives Reserve, New Central Library, Neighborhood Housing and Community Development, and Sustainability activities. The last four activities were previously reported as Special Revenue funds prior to the implementation of GASB Statement No. 54. These activities no longer meet the Special Revenue test and must be reported in the General Fund in accordance with GAAP.

The Budgetary General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes the following: tuition reimbursement ($340,000), accrued payroll ($2,247,680), expenditures for workers' compensation ($5,353,014), liability reserve ($2,000,000), and public safety ($2,394,022).

b -- Budget Amendments

The original revenue budget of the General Fund was amended during the fiscal year 2011 to increase emergency medical services and public health. The original expenditure budget of the General Fund was amended during fiscal year 2011 primarily for increased public safety and public health costs. The original and final budget is presented in the accompanying financial statements.

BUDGET BASIS REPORTING, continued

c -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP-basis and budget-basis reporting for the General Fund are the re porting of encumbrances and the rep orting of certain transfers. General Fund accrued payroll is recorded at the dep artment level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budg et basis for the activities comprising the General Fund are provided, as follows (in thousands):

		Combined General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis		$ 6,209
Adjustments - increases (decreases) due to:		
Unbudgetd revenues:		
Budgetary General Fund	(1,571)	(1,571)
Worker's compensation adjustment		
Budgetary General Fund	(4,137)	(4,137)
Net compensated absences accrual		
Budgetary General Fund	(146)	(146)
Outstanding encumbrances established in current year		
Budgetary General Fund	(3,018)	
Economic Incentives Reserve	(459)	
Neighborhood Housing and Community Development	(38)	
Sustainability	(263)	(3,778)
Payments against prior year encumbrances		
Budgetary General Fund	1,936	
Neighborhood Housing and Community Development	271	
Sustainability	105	2,312
Other		
Budgetary General Fund	(6,562)	
Economic Incentives Reserve	11,033	
Neighborhood Housing and Community Development	2,352	
Sustainability	(2,302)	4,521
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis		$ 3,410

RETIREMENT PLANS-TREND INFORMATION

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

Valuation Date, December 31	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
2008	1,481,377	2,246,903	765,526	65.9%	448,740	170.6%
2009	1,672,470	2,330,937	658,467	71.8%	442,539	148.8%
2010	1,711,600	2,460,700	749,100	69.6%	438,900	170.7%
Police Officers						
2008	464,230	693,202	228,972	67.0%	122,735	186.6%
2009	518,112	733,635	215,523	70.6%	122,928	175.3%
2010	546,957	776,231	229,274	70.5%	127,732	179.5%
Fire Fighters (2)						
2005	493,567	580,054	86,487	85.1%	65,885	131.3%
2007	584,420	586,802	2,382	99.6%	76,556	3.1%
2009	589,261	664,185	74,924	88.7%	78,980	94.9%

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

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

OTHER POST EMPLOYMENT BENEFITS-TREND INFORMATION

Under GAAP, the City is required to have an actuarial valuation of its other post employment benefits program every other year. The Schedule of Funding Progress for other post employment benefits is as follows (in thousands):

Fiscal Year Ended September 30	Valuation Date, October 1	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
2009	2006	$ --	1,035,766	1,035,766	0.0%	629,822	164.5%
2010	2008	--	1,134,864	1,134,864	0.0%	620,526	182.9%
2011	2010	--	1,404,692	1,404,692	0.0%	668,679	210.1%

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

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

APPENDIX C

BOND RESOLUTION

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

MLGC RESOLUTION NO. ______________

RESOLUTION AUTHORIZING THE ISSUANCE OF MUELLER LOCAL GOVERNMENT CORPORATION TAX INCREMENT CONTRACT REVENUE BONDS, SERIES 2012, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $17,500,000; APPROVING CONTRACT DOCUMENTS RELATING TO THE SERIES 2012 BONDS; AND CONTAINING OTHER PROVISIONS RELATED THERETO

RECITALS

WHEREAS, the City of Austin ("City") has determined that it would be in the best interest of the City and the general public to redevelop property within the City formerly known as the Robert Mueller Municipal Airport ("Mueller"); and

WHEREAS, to facilitate the redevelopment of Mueller, the City entered into a Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004 (the "Master Development Agreement"); and

WHEREAS, under the Master Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursement Project Costs" as defined in the Master Development Agreement, either directly or through the auspices of a local government corporation to be created by the City; and

WHEREAS, on December 16, 2004, the Council authorized the creation of Tax Increment Financing Reinvestment Zone Number Sixteen, City of Austin, Texas ("TIRZ Sixteen") pursuant to Chapter 311, Texas Tax Code, and approved a preliminary project plan for TIRZ Sixteen and a preliminary reinvestment zone financing plan for TIRZ Sixteen; and

WHEREAS, by Resolution No. 041202-60, adopted on December 2, 2004, the City authorized the creation of the Mueller Local Government Corporation ("Corporation") to act on behalf of the City in the performance of the City's governmental and proprietary functions to promote the common good and the general welfare of the City, including, without limitation, the development of the geographic area of the City included or to be included in TIRZ Sixteen and neighboring areas in furtherance of the promotion of economic development; and

WHEREAS, by Resolution No. 20060427-003, adopted on April 27, 2006, the City Council adopted a program pursuant to Chapter 380 of the Texas Local Government Code ("Chapter 380 Program") whereby the City may make economic development loans or grants from City general funds to the Corporation in furtherance of the economic development objectives for TIRZ Sixteen, specifically with respect to the redevelopment of Mueller consistent with the provisions of the Master Development Agreement; and

WHEREAS, pursuant to the terms of a Tri-Party Agreement among the City, TIRZ Sixteen and the Corporation, dated as of September 1, 2009 ("Tri-Party Agreement") the City and TIRZ

Sixteen have agreed to transfer tax increment revenues generated within TIRZ Sixteen to the Corporation to provide funds that may be used by the Corporation for the payment of debt service on Tax Increment Contract Revenue Bonds issued by the Corporation to finance "Public Finance Reimbursable Project Costs" in accordance with the Master Development Agreement, in furtherance of the economic development objectives of the Chapter 380 Program; and

WHEREAS, the Corporation approved and executed an Indenture of Trust, dated as of September 1, 2009, with Deutsche Bank Trust Company Americas ("Indenture"); and

WHEREAS, pursuant to the terms of the Indenture, a bond resolution adopted by the Corporation on August 27, 2009 and an approval resolution adopted by Council on August 27, 2009, the Corporation authorized the issuance of its Tax Increment Contract Revenue Bonds, Series 2009, in the aggregate principal amount not to exceed $15,000,000; and

WHEREAS, on October 27, 2009, the Corporation delivered its Tax Increment Contract Revenue Bonds, Series 2009, in the aggregate principal amount of $15,000,000 ("Series 2009 Bonds"); and

WHEREAS, in accordance with the terms of the Indenture, the Corporation may issue "Additional Parity Bonds" (as defined in the Indenture) on a parity with the Series 2009 Bonds, provided that the issuance of all "Tax Increment Contract Revenue Bonds" (as defined in the Indenture) issued as Additional Parity Bonds (i) be approved by the City and (ii) not exceed $50,000,000 in aggregate principal amount; and

WHEREAS, pursuant to the action taken by Council to establish the Chapter 380 Program, the City has agreed, in accordance with the terms of a Grant Agreement between the City and the Corporation, effective as of September 8, 2009 ("Grant Agreement"), to consider, subject to annual appropriation, making an economic development grant to the Corporation to assist the Corporation in the payment of debt service on the Series 2009 Bonds and the bonds authorized to be issued by this Resolution; and

WHEREAS, as permitted by Chapter 431, Texas Transportation Code, as amended, the Corporation desires to issue bonds upon the terms and conditions and for the purposes provided in this Resolution.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MUELLER LOCAL GOVERNMENT CORPORATION:

ARTICLE I

RECITALS INCORPORATED BY REFERENCE

The recitals to this Resolution are incorporated into the body of this Resolution by reference for all purposes.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.1: Definitions. In this Resolution, the following terms shall have the following meanings, unless the context clearly indicates otherwise. Terms not defined in this Resolution shall have the meanings assigned to the terms in the Indenture:

"Audit" shall mean the audited annual financial statements of the Corporation prepared by an independent auditor, which may be included as part of the Consolidated Annual Financial Report of the City.

"Authorized Denominations" shall mean \$5,000 or any integral multiple of \$5,000.

"Authorized Representative" shall mean the President or any Vice President of the Corporation, the Treasurer of the Corporation, or any other person designated by the Board of Directors of the Corporation to act in such capacity.

"Code" shall mean the Internal Revenue Code of 1986.

"Comptroller" shall mean the Comptroller of Public Accounts of the State of Texas.

"Dated Date" shall mean, with respect to the Series 2012 Bonds, August 15, 2012.

"Designated Payment/Transfer Office" shall mean the designated corporate trust office of the Registrar, which, as of the date of adoption of this Resolution, is located in Jersey City, New Jersey.

"DTC" means The Depository Trust Company, New York, New York.

"Grant Agreement" has the meaning in the preamble to this Resolution.

"Indenture" has the meaning in the preamble to this Resolution.

"Issuance Date" shall mean the date on which the Series 2012 Bonds are authenticated by the Registrar and delivered to and paid for by the Underwriters.

"Master Development Agreement" has the meaning in the preamble to this Resolution.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Paying Agent", "Paying Agent/Registrar" and "Registrar" shall mean Deutsche Bank National Trust Company, and its successors in that capacity.

"Pricing Officer" shall mean the Chief Financial Officer of the City.

"Project" shall mean the following public infrastructure improvements within the meaning of the term "Project Costs" as defined in the Indenture, to-wit: construction costs relating to erosion control, demolition, land grading, water quality and retention ponds, electric, landscaping and street amenities, street lighting, and related design, consulting, permit and development fees.

"Purchase Agreement" shall mean the bond purchase agreement between the Corporation and the Underwriters, relating to the issuance and sale of the Series 2012 Bonds.

"Record Date" shall mean, for any Interest Payment Date, the fifteenth day of the month next preceding each Interest Payment Date.

"Resolution" or "Bond Resolution" shall mean this resolution, and all amendments and supplements to this Resolution.

"Rule" shall mean SEC Rule 15c2-12.

"SEC" shall mean the United States Securities and Exchange Commission.

"Series 2009 Bonds" shall mean the Corporation's Tax Increment Contract Revenue Bonds, Series 2009, issued in the aggregate principal amount of $15,000,000.

"Series 2012 Bonds" or "Bonds" shall mean the Corporation's Tax Increment Contract Revenue Bonds, Series 2012, authorized by this Resolution.

"Tri-Party Agreement" has the meaning in the preamble to this Resolution.

"Underwriters" means the investment banking firms identified in the Purchase Agreement.

<u>Section 2.2</u>: <u>Interpretations</u>. All defined terms and all pronouns used in this Resolution shall apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part of this Resolution, and shall not in any way modify or restrict any of the terms or provisions of this Resolution. References to any constitutional, statutory or regulatory provision means the provision as it exists on the date this Resolution is adopted by the Corporation and any future amendments successor provisions. This Resolution shall be liberally construed to effectuate the purposes set forth in this Resolution and to sustain the validity of the Parity Bonds and the validity of the lien on and pledge of the Pledged Revenues to secure the payment of the Parity

Bonds. Upon the delivery of the Series 2012 Bonds, the Series 2009 Bonds and the Series 2012 Bonds will be the only Parity Bonds Outstanding in accordance with the terms of the Indenture.

ARTICLE III

TERMS OF THE BONDS

Section 3.1: Bonds to be Sold; Principal Amount, Purpose. The Series 2012 Bonds shall be issued in fully registered form, without coupons, in the aggregate principal amount of $16,735,000 for the purpose of (1) paying costs of constructing the Project and (2) paying Costs of Issuance, all under and pursuant to the authority of the Act and all other applicable law.

Section 3.2: Principal and Interest of the Series 2012 Bonds; Redemption. (a) The Series 2012 Bonds shall be dated as of the Dated Date, shall be in Authorized Denominations, shall be numbered consecutively from R-1 upward, and shall mature on the maturity date, in each of the years, in the amounts, and bear interest at the interest rates per annum, respectively, as set forth in Schedule I.

(b)(i) The Bonds shall be subject to redemption by the Corporation prior to maturity in the manner and at the redemption price provided in the FORM OF BOND. The Series 2012 Bonds or portions of Series 2012 Bonds redeemed within a maturity shall be selected by lot or other method by the Paying Agent/Registrar; *provided*, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Series 2012 Bonds, if fewer than all of the Series 2012 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2012 Bonds shall be selected in accordance with the arrangements between the Corporation and the securities depository.

(ii) At least 30 days prior to the date fixed for any such redemption the Corporation shall cause a written notice of redemption to be deposited in the United States mail, first class postage prepaid, addressed to each such registered owner at the address shown on the Register. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Series 2012 Bonds which are to be redeemed, plus accrued interest on the redeemed Series 2012 Bonds to the date fixed for redemption. If notice of redemption is given, and if due provision for such payment is made, all as provided above, the Series 2012 Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, and shall not bear interest after the date fixed for their redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for payment. The Paying Agent/Registrar shall record in the Register all redemptions of principal of the Series 2012 Bonds. If a portion of any Series 2012 Bond shall be redeemed a substitute Series 2012 Bond or Series 2012 Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion of the redeemed Series 2012 Bond, will be issued to the registered owner upon its surrender for cancellation, at the expense of the Corporation, all as provided in this Resolution. The failure to cause notice to be given, however, or any defect in the notice, shall not affect the validity or effectiveness of the redemption.

Section 3.3: Execution of Series 2012 Bonds. The Series 2012 Bonds shall be signed on behalf of the Corporation by an Authorized Representative and countersigned by the Secretary by their manual, lithographed, or facsimile signatures. Any facsimile signature on the Series 2012 Bonds shall have the same effect as if each Series 2012 Bond had been signed manually and in person by each officer. If any officer of the Corporation whose manual or facsimile signature shall appear on the Series 2012 Bonds shall cease to be an officer before the authentication of the Series 2012 Bonds or before the delivery of the Series 2012 Bonds, the manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if the officer had remained in the office.

Section 3.4: Approval By Attorney General; Registration by Comptroller. The Series 2012 Bonds to be initially issued shall be delivered to the Attorney General of Texas for examination and approval and shall be registered by the Comptroller. The manually executed registration certificate of the Comptroller substantially in the form provided in Exhibit A to this Resolution shall be affixed or attached to the Series 2012 Bonds to be initially issued and delivered to the Underwriters.

Section 3.5: Authentication. Except for the Series 2012 Bonds to be initially issued, which need not be authenticated by an authorized representative of the Registrar, only the Series 2012 Bonds bearing a certificate of authentication substantially in the form provided in Exhibit A to this Resolution, manually executed by an authorized representative of the Registrar, shall be entitled to the benefits of this Resolution or shall be valid or obligatory for any purpose. A duly executed certificate of authentication shall be conclusive evidence that the Series 2012 Bond so authenticated was delivered by the Registrar.

The Registrar, when it authenticates a Series 2012 Bond, shall cause the Dated Date to be stamped, typed or imprinted on such Series 2012 Bond. Series 2012 Bonds issued on transfer of or in exchange for other Series 2012 Bonds shall bear the same Dated Date as the Series 2012 Bond or Series 2012 Bonds presented for transfer or exchange.

Section 3.6. Payment of Principal and Interest. The Registrar is hereby appointed as the registrar and paying agent for the Series 2012 Bonds. The principal of the Series 2012 Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the Designated Payment/Transfer Office. The interest on each Series 2012 Bond shall be payable by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Owner of record as of the Record Date, to the address of the Owner as shown on the Register, or by any other method acceptable to the Registrar, requested by and at the risk and expense of the Owner.

If the date for the payment of principal or interest on any Series 2012 Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on that date shall have the same force and effect as if made on the original date payment was due.

Section 3.7. Successor Registrars. The Corporation covenants that at all times while any Series 2012 Bond is Outstanding it will provide a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to act as Registrar for the Series 2012 Bonds. The Corporation reserves the right to change the Registrar for the Series 2012 Bonds on not less than sixty (60) days written notice to the Registrar, so long as any notice is effective not less than sixty (60) days prior to the next succeeding Principal Installment Payment Date or Interest Payment Date on the Series 2012 Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or a copy of the Register to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

Section 3.8. Special Record Date. If interest on any Series 2012 Bond is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Registrar shall establish a new record date for the payment of this interest, to be known as a "Special Record Date". The Registrar shall establish a Special Record Date when funds to make this interest payment are received from or on behalf of the Corporation. The Special Record Date shall be fifteen (15) days prior to the date fixed for payment of past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class postage prepaid, not later than five (5) days prior to the Special Record Date, to each Owner or record of an affected Series 2012 Bond as of the close of business on the day prior to the mailing of the notice.

Section 3.9. Ownership; Unclaimed Principal and Interest. Subject to the further provisions of this Section, the Corporation, the Registrar and any other person may treat the person in whose name any Series 2012 Bond is registered as the absolute Owner of the Series 2012 Bond for the purpose of making and receiving payment of the principal of or interest on the Series 2012 Bond, and for all other purposes, whether the Series 2012 Bond is overdue, and neither the Corporation nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Series 2012 Bond in accordance with this Section 3.9 shall be valid and effectual and shall discharge the liability of the Corporation and the Registrar upon the Series 2012 Bond to the extent of the sums paid.

Amounts held by the Registrar which represent principal of and interest on the Series 2012 Bonds remaining unclaimed by the Owner after the expiration of three (3) years from the date the amounts have become due and payable shall be reported and disposed of by the Registrar in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code.

Section 3.10. Registration, Transfer, and Exchange. So long as any Series 2012 Bond remains Outstanding, the Registrar shall keep the Register at the Designated Payment/Transfer Office and, subject to reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Series 2012 Bonds in accordance with the terms of this Resolution.

Each Series 2012 Bond shall be transferable only upon its presentation and surrender at the Designated Payment/Transfer Office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or its authorized representative in form satisfactory to the Registrar. Upon due presentation of any Series 2012 Bond in proper form for transfer, the Registrar shall authenticate and deliver in exchange, within three (3) Business Days after presentation, a new Series 2012 Bond or Series 2012 Bonds, registered in the name of the transferee or transferees, in Authorized Denominations and of the same maturity, aggregate principal amount, and Dated Date, and bearing interest at the same rate as the Series 2012 Bond or Series 2012 Bonds so presented.

All Series 2012 Bonds shall be exchangeable upon their presentation and surrender at the Designated Payment/Transfer Office of the Registrar for a Series 2012 Bond or Series 2012 Bonds of the same maturity, Dated Date, and interest rate and in any Authorized Denomination, in an aggregate amount equal to the unpaid principal amount of the Series 2012 Bond or Series 2012 Bonds presented for exchange. The Registrar is hereby authorized to authenticate and deliver exchange Series 2012 Bonds in accordance with the provisions of this Section 3.10. Each Series 2012 Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Series 2012 Bond or Series 2012 Bonds in lieu of which the Series 2012 Bond is delivered.

The Corporation or the Registrar may require the Owner of any Series 2012 Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of the Series 2012 Bond. Any fee or charge of the Registrar for a transfer or exchange shall be paid by the Corporation.

The Registrar shall not be required to transfer or exchange any Series 2012 Bond during the period beginning on a Record Date or a Special Record Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Series 2012 Bond called for redemption during the period beginning thirty (30) days prior to the date fixed for redemption and ending on the date fixed for redemption; *provided, however*, that this limitation shall not apply to the exchange by the Owner of the unredeemed portion of a Series 2012 Bond called for redemption in part.

Section 3.11. Cancellation of Series 2012 Bonds. All Series 2012 Bonds paid or redeemed in accordance with this Resolution, and all Series 2012 Bonds in lieu of which exchange Series 2012 Bonds or replacement Series 2012 Bonds are authenticated and delivered in accordance herewith, shall be canceled and thereafter treated in accordance with the Registrar's document retention policies.

Section 3.12. Mutilated, Lost, or Stolen Series 2012 Bonds. Upon the presentation and surrender to the Registrar of a mutilated Series 2012 Bond, the Registrar shall authenticate and deliver in exchange a replacement Series 2012 Bond of like maturity, Dated Date, interest rate and principal amount, bearing a number not contemporaneously Outstanding. The Corporation or the Registrar may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the delivery of a replacement Series 2012 Bond and any other expenses, including the fees and expenses of the Registrar.

If any Series 2012 Bond is lost, apparently destroyed, or wrongfully taken, the Corporation, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that the Series 2012 Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Series 2012 Bond of like maturity, Dated Date, interest rate and principal amount, bearing a number not contemporaneously Outstanding, provided that the Owner shall have:

(1) furnished to the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of the Series 2012 Bond;

(2) furnished such security or indemnity as may be required by the Registrar to save it and the Corporation harmless;

(3) paid all expenses and charges in connection with the delivery of a replacement Series 2012 Bond, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and

(4) met any other reasonable requirements of the Corporation and the Registrar.

If, after the delivery of such replacement Series 2012 Bond, a bona fide purchaser of the original Series 2012 Bond in lieu of which the replacement Series 2012 Bond was issued presents for payment such original Series 2012 Bond, the Corporation and the Registrar shall be entitled to recover such replacement Series 2012 Bond from the person to whom it was delivered or any person taking from the person, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Corporation or the Registrar.

If any mutilated, lost, apparently destroyed or wrongfully taken Series 2012 Bond has become or is about to become due and payable, the Corporation in its discretion may, instead of issuing a replacement Series 2012 Bond, authorize the Registrar to pay the Series 2012 Bond.

Each replacement Series 2012 Bond delivered in accordance with this Section 3.12 shall be entitled to the benefits and security of this Resolution to the same extent as the Series 2012 Bond or Series 2012 Bonds in lieu of which such replacement Series 2012 Bond is delivered.

Section 3.13: Limited Obligations. THE SERIES 2012 BONDS ARE A LIMITED OBLIGATION OF THE CORPORATION, PAYABLE SOLELY OUT OF THE TRUST ESTATE,

WHICH IS THE SOLE ASSET OF THE CORPORATION PLEDGED THEREFOR. THE SERIES 2012 BONDS ARE OBLIGATIONS SOLELY OF THE CORPORATION AND DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE CITY OF AUSTIN, TEXAS, THE STATE OF TEXAS, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OF TEXAS. THE CITY OF AUSTIN, TEXAS IS NOT OBLIGATED TO MAKE PAYMENTS ON THE SERIES 2012 BONDS, OTHER THAN AS OTHERWISE PROVIDED FOR IN THE INDENTURE.

Section 3.14: DTC Registration. The Series 2012 Bonds initially shall be issued and delivered in a manner that no physical distribution of the Series 2012 Bonds will be made to the public, and DTC initially will act as depository for the Series 2012 Bonds. DTC has represented that it is a limited purpose trust company incorporated under the laws of the State of New York, 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 under Section 17A of the Securities Exchange Act of 1934, as amended, and the Corporation accepts, but in no way verifies, the representations made by DTC. The Series 2012 Bonds initially authorized by this Resolution shall be delivered to and registered in the name of CEDE & CO., the nominee of DTC. So long as each Series 2012 Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC the same in all respects as if it were the actual and beneficial owner. It is expected that DTC will maintain a book-entry system which will identify ownership of the Series 2012 Bonds in integral amounts of $5,000, with transfers of ownership being effected on the records of DTC and its participants pursuant to rules and regulations established by them, and that the Series 2012 Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as provided in this Resolution. The Corporation is not responsible or liable for any functions of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or its participants, or protecting any interests or rights of the beneficial owners of the Series 2012 Bonds. It shall be the duty of the DTC Participants, as defined in the Official Statement approved by this Resolution, to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Series 2012 Bonds, and the method of paying the fees and charges of DTC. The Corporation does not represent nor covenant that the initial book-entry system established with DTC will be maintained in the future. Notwithstanding the initial establishment of the book-entry system with DTC, if for any reason any of the originally delivered Series 2012 Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Resolution, substitute Series 2012 Bonds will be duly delivered as provided in this Resolution, and there will be no assurance or representation that any book-entry system will be maintained for the Series 2012 Bonds. To effect the establishment of the book-entry system, the Corporation has executed and filed with DTC the "Blanket DTC Letter of Representations" in the form provided by DTC to evidence the Corporation's intent to establish the book-entry system.

ARTICLE IV

FORM OF SERIES 2012 BONDS AND CERTIFICATES

Section 4.1: Forms. The form of the Series 2012 Bonds, including the form of the Registrar's authentication certificate, the form of assignment, and the form of the Comptroller's Registration Certificate for the Series 2012 Bonds to be initially issued, shall be in substantially the form as set forth in Exhibit A to this Resolution.

Section 4.2: Legal Opinion; Cusip Numbers; Bond Insurance. The approving opinion of Bond Counsel and CUSIP Numbers may be printed on the Series 2012 Bonds, but errors or omissions in the printing of the opinion or CUSIP numbers shall have no effect on the validity of the Series 2012 Bonds. If bond insurance is obtained by the Underwriters, the Series 2012 Bonds may bear an appropriate legend as provided by the insurer.

ARTICLE V

ADDITIONAL BONDS

Section 5.1: Additional Parity Bonds. The Corporation reserves the right to issue, for any lawful purpose (including the refunding of any previously issued Parity Bonds), one or more series of Additional Parity Bonds payable from and secured by a first lien on the Pledged Revenues, on a parity with the Parity Bonds; provided, however, that Additional Parity Bonds may be issued only in accordance with the provisions of Article III of the Indenture.

Section 5.2: Subordinate Lien Obligations. The Corporation reserves the right to issue, for any lawful purpose, Subordinate Lien Obligations secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Parity Bonds. Subordinate Lien Obligations may be further secured by any other source of payment lawfully available for this purpose.

ARTICLE VI

GENERAL COVENANTS

Section 6.1: Punctual Payment of Parity Bonds. The Corporation will punctually pay or cause to be paid the interest on and principal of all Parity Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Resolution and in any resolution authorizing the issuance of Additional Parity Bonds.

Section 6.2: Accounts, Records, and Audits. So long as any Parity Bonds remain Outstanding, the Corporation covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Corporation in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Corporation or the Pledged Revenues. The Corporation shall after the close of each fiscal year cause an Audit to be prepared by an independent certified public accountant or independent firm of certified public accountants. All expenses incurred in preparing Audits shall be maintenance and operation expenses.

Section 6.3: Pledge and Encumbrance of Pledged Revenues. The Corporation represents that it has the lawful power to create a lien on and to pledge the Pledged Revenues to secure the payment of the Parity Bonds and has lawfully exercised this power under the Constitution and laws of the State of Texas. The Corporation further covenants and represents that, other than to the payment of the Parity Bonds, 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 Corporation, unless the lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Parity Bonds.

Section 6.4: Owners' Remedies. This Resolution shall constitute a contract between the Corporation and the Owners of the Parity Bonds from time to time Outstanding and this Resolution shall be and remain irrepealable until the Parity Bonds and the interest thereon shall be fully paid or discharged or provision for their payment or discharge shall have been made as provided in this Resolution. In the event of a default in the payment of the principal of or interest on any Parity Bond or a default in the performance of any duty or covenant provided by law or in this Resolution, the Owner or Owners of any Parity Bond may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the Corporation to remedy the default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any Parity Bond 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 Corporation under this Resolution, the deposit of the Pledged Revenues into the special funds provided in the Indenture and this Resolution, and the application of Pledged Revenues in the manner required in this Resolution. The foregoing notwithstanding, acceleration of the Parity Bonds is not an available remedy. The sole source of the Corporation available for the payment of debt service on the Parity Bonds is and shall be the Pledged Revenues.

Section 6.5: Discharge by Deposit. The Corporation may discharge its obligation to the Owners of any or all of the Parity Bonds to pay principal, interest and redemption premium (if any) on the Parity Bonds in any manner then permitted by law, including, but not limited to, by depositing with any paying agent for the Parity Bonds either: (i) cash in an amount equal to the principal amount and redemption premium, if any, of the Parity Bonds plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, cash and/or direct noncallable, nonprepayable obligations of the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of the Parity Bonds plus interest thereon to the date of maturity or redemption; provided, however, that if any Parity Bond is to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the resolution authorizing the particular series of Parity Bonds. Upon such deposit, the Parity Bonds shall no longer be regarded to be Outstanding or unpaid.

Section 6.6: Registrar and Trustee May Own Parity Bonds. The Registrar and Trustee for the Parity Bonds, in their individual or any other capacity, may become holders or pledges of the Parity Bonds with the same rights they would have if they were not the Registrar or Trustee.

Section 6.7: No Recourse Against Corporation Officials. No recourse shall be had for the payment of principal of or interest on any Parity Bond or for any claim based thereon or on this Resolution against any official of the Corporation or any person executing any Parity Bond. No member of the Board of Directors of the Corporation or any officer, agent, employee or representative of the Corporation in his or her individual capacity, nor the officers, agents, employees or representatives of the Corporation nor any person executing the Series 2012 Bonds shall be personally liable on the Series 2012 Bonds or be subject to any personal liability or accountability by reason of their issuance, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all liability being expressly released and waived as a condition of and in consideration for the adoption of this Resolution and the issuance of the Series 2012 Bonds.

ARTICLE VII

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF SERIES 2012 BONDS

Section 7.1: Sale of Bonds. The Pricing Officer is authorized to execute the Purchase Agreement effecting the issuance and sale of the Series 2012 Bonds for and on behalf of the Corporation. Stifel, Nicolaus & Company, Incorporated, is hereby designated as the senior managing underwriter for the Underwriters. By approving this Resolution, the payment of the fee of the Office of the Attorney General of the State of Texas for the examination of the proceedings relating to the issuance of the Series 2012 Bonds, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code, is authorized.

Section 7.2: Execution of Documents to Effect Sale of Series 2012 Bonds. An Authorized Representative, the Pricing Officer, and other appropriate officers, agents and representatives of the Corporation are authorized to do any and all things necessary or desirable to provide for the issuance and delivery of the Series 2012 Bonds.

Section 7.3: Application of Proceeds. Proceeds from the sale of the Series 2012 Bonds shall, promptly upon receipt by the Trustee, be applied in the manner provided for in a certificate executed by an Authorized Representative. The foregoing notwithstanding, any accrued interest received in connection with the sale of the Series 2012 Bonds shall be deposited to the Debt Service Fund, and any premium received in connection with the sale of the Series 2012 Bonds shall be used in a manner consistent with the provisions of V.T.C.A., Government Code, Section 1201.042(d).

ARTICLE VIII

FEDERAL INCOME TAX MATTERS

Section 8.1: General Tax Covenants. The Corporation covenants to refrain from any action which would adversely affect, or to take any action to assure, the treatment of the Series 2012 Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. The Corporation covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Series 2012 Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use", as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether received by the Corporation, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Series 2012 Bonds, in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) exceeds 5 percent of the proceeds of the Series 2012 Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate", within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Series 2012 Bonds (less amounts deposited into a reserve fund, if any), is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Series 2012 Bonds being treated as "private activity bonds" within the meaning of section 141(a) of the Code;

(e) to refrain from taking any action that would result in the Series 2012 Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Series 2012 Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Series 2012 Bonds, other than investment property acquired with --

(1) proceeds of the Series 2012 Bonds invested for a reasonable temporary period of three years or less until such proceeds are needed for the purpose for which the Series 2012 Bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Series 2012 Bonds;

(g) to otherwise restrict the use of the proceeds of the Series 2012 Bonds or amounts treated as proceeds of the Series 2012 Bonds, as may be necessary, so that the Series 2012 Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Series 2012 Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings", within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Series 2012 Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

The Corporation understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of a refunding bond, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of the issuance of the Series 2012 Bonds. It is the understanding of the Corporation that the covenants contained in this Resolution are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant to the Code. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Series 2012 Bonds, the Corporation will not be required to comply with any covenant contained in this Resolution to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Series 2012 Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Series 2012 Bonds, the Corporation agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Series 2012 Bonds under section 103 of the Code. In furtherance of the foregoing, any Authorized Representative may execute any certificates or other reports required by the Code and to make such elections, on behalf of the Corporation, which may be permitted by the Code as are consistent with the purpose for the issuance of the Series 2012 Bonds. In order to facilitate compliance with the above clause (h), there has been established in the Indenture a "Rebate Fund" for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the Registered Owners of the Series 2012 Bonds. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

Section 8.2: Allocation of, and Limitation on, Expenditures for the Project. The Corporation covenants to account for on its books and records the expenditure of proceeds from the sale of the Series 2012 Bonds and any investment earnings thereon to be used for the payment of costs of the Project by allocating proceeds to expenditures within 18 months of the later of the date that (a) the expenditure on a Project is made or (b) each such Project is completed. The foregoing notwithstanding, the Corporation shall not expend such proceeds or investment earnings more than 60 days after the later of (a) the fifth anniversary of the date of delivery of the Series 2012 Bonds or (b) the date the Series 2012 Bonds are retired, unless the Corporation obtains an opinion of nationally-recognized bond counsel substantially to the effect that such expenditure will not adversely affect the tax-exempt status of the Series 2012 Bonds. For purposes of this Section, the Corporation shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 8.3: Disposition of Project. The Corporation covenants that the property constituting a Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Corporation of cash or other compensation, unless the Corporation obtains an opinion of nationally-recognized bond counsel substantially to the effect that such sale or other disposition will not adversely affect the tax-exempt status of the Series 2012 Bonds. For purposes of this Section, the portion of the property comprising personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this Section, the Corporation shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Series 2012 Bonds.

Section 8.4: Written Procedures. Until superseded by another action of the City, the Corporation shall apply to the Series 2012 Bonds any written procedures of the City in respect to ensuring the compliance with the covenants contained in this Resolution regarding private business use, remedial actions, arbitrage and rebate.

ARTICLE IX

CONTINUING DISCLOSURE UNDERTAKING

Section 9.1: Annual Reports. (a) The Corporation shall provide annually, within six months after the end of each Fiscal Year ending in or after 2012, financial information and operating data of the general type described in Exhibit B hereto. Any financial statements of the City to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit B attached to this Resolution, or any other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the City commissions an audit of the statements and the audit is completed within the period during which they must be provided. If the audit of financial statements is not complete within this period, then the Corporation shall provide unaudited financial statements of the City by the required time and shall provide audited financial statements of the City for the applicable fiscal year to the MSRB, when and if the audit report on the financial statements becomes available. The updated information also will include audited financial statements of the Corporation, if the Corporation commissions an audit and it is completed by the required time. If audited financial statements of the Corporation are not available by the required time, the Corporation will provide such audited financial statements to the MSRB when and if they become available. Any audited financial statements of the Corporation will be prepared in accordance with generally accepted accounting principles, or any other accounting principles as the Corporation may be required to employ from time to time pursuant to state law or regulation.

(b) If the Corporation or the City changes its fiscal year, the Corporation will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Corporation otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. Filings shall be made electronically, in such format as is prescribed by the MSRB.

Section 9.2: Disclosure Event Notices. The Corporation shall notify the MSRB of any of the following events with respect to the Series 2012 Bonds, in a timely manner not in excess of ten Business Days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Bonds, or other material events affecting the tax status of the Series 2012 Bonds;
7. Modifications to rights of holders of the Series 2012 Bonds, if material;
8. Series 2012 Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2012 Bonds, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Corporation or the City;
13. The consummation of a merger, consolidation, or acquisition involving the Corporation or the City or the sale of all or substantially all of the assets of the Corporation or the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor Trustee, Paying Agent or Registrar or change in the name of the Trustee, Paying Agent or Registrar, if material.

The Corporation shall notify the MSRB, in a timely manner, of any failure by the Corporation to provide financial information or operating data in accordance with Section 9.1 by the time required by such Section. As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Corporation or the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation or the City, or if jurisdiction has been assumed by leaving the governing body and officials or officers of the Corporation or the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation or the City.

Section 9.3: Limitations, Disclaimers, and Amendments. (a) The Corporation shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Corporation or the City remains an "obligated person" with respect to the Series 2012 Bonds within the meaning of the Rule, except that the Corporation in any event will give notice of any deposit made in accordance with this Resolution or applicable law that causes Series 2012 Bonds no longer to be Outstanding.

(b) The provisions of this Article are for the sole benefit of the holders and beneficial owners of the Series 2012 Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Corporation's or the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided in this Resolution. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2012 Bonds at any future date. The Corporation does not make any representation or warranty concerning whether the Underwriters have fulfilled their obligations under the Rule in respect to the issuance, sale or delivery of the Series 2012 Bonds.

(c) UNDER NO CIRCUMSTANCES SHALL THE CORPORATION BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2012 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CORPORATION, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(d) No default by the Corporation in observing or performing its obligations under this Article shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution. Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Corporation under federal and state securities laws.

(e) Should the Rule be amended to obligate the Corporation to make filings with or provide notices to entities other than the MSRB, the Corporation agrees to undertake such obligation in accordance with the Rule as amended.

(f) The provisions of this Article may be amended by the Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation or the City, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Series 2012 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (A) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Series 2012 Bonds consent to such amendment or (B) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Series 2012 Bonds. If the Corporation so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 9.1 an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Corporation may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2012 Bonds in the primary offering of the Series 2012 Bonds.

ARTICLE X

AUTHORIZATION OF AGREEMENTS

The Board hereby approves the issuance of the Series 2012 Bonds. In connection with the issuance of the Series 2009 Bonds, the Corporation approved and affirms that the following agreements remain in full force and effect, and shall apply to the Series 2012 Bonds: the Indenture; the Tri-Party Agreement; and the Grant Agreement. In connection with the issuance of the Series 2012 Bonds, the Corporation approves the execution and delivery of the following agreements: the Paying Agent/Registrar Agreement by and between the Corporation and the Paying Agent/Registrar, in substantially the form attached hereto as Exhibit C; the Purchase Agreement, in substantially the form attached hereto as Exhibit D; and all other documents and agreements reasonable and necessary to issue the Series 2012 Bonds, including, without limitation, any documents and agreements necessary to obtain municipal bond insurance in support of the debt service on the Series 2012 Bonds (collectively, the "Agreements"). Should a municipal bond insurance policy be obtained, for so long as the policy is in effect, the requirements of the bond insurer relating to the issuance of the policy are incorporated by reference into this Resolution for all purposes, notwithstanding any other provision of this Resolution to the contrary. The Board, by a majority vote of its members, at a regular meeting, approved the form, terms, and provisions of the Agreements and authorizes the execution and delivery of the Agreements.

ARTICLE XI

MISCELLANEOUS

Section 11.1: Further Proceedings. The President, any Vice President, the Secretary, the Treasurer, other appropriate officials of the Corporation, and the Pricing Officer, are authorized and directed to do any and all things necessary and/or convenient to carry out the intent, purposes and terms of this Resolution, including the execution and delivery of the Agreements and any certificates, documents or papers necessary and advisable.

Section 11.2: Severability. If any Section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of the Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 11.3: Open Meeting. It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public, and that public notice of the time, place and purpose of the meeting was given, all as required by the Texas Open Meetings Act, Chapter 551, Texas Government Code.

Section 11.4: Parties Interested. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Corporation, the Registrar, and the Owners of the Series 2012 Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation contained in this Resolution, and all covenants, stipulations, promises and agreements in this Resolution shall be for the sole and exclusive benefit of the Corporation, the Registrar, and the Owners of the Series 2012 Bonds.

Section 11.5: Repealer. All or any part of any order, resolution and ordinance inconsistent with this Resolution are hereby repealed.

Section 11.6: Effective Date. This Resolution shall become effective immediately upon passage by this Corporation and signature of the President of the Corporation.

PASSED AND APPROVED this 23rd day of August, 2012.

By: ___________________________
Name: Marc A. Ott
Title: President

ATTEST:

By: ___________________________
Name: Kevin Johns
Title: Secretary

SCHEDULE I
MATURITY SCHEDULE:

MATURITY DATE: SEPTEMBER 1

YEARS	AMOUNTS ($)	YEARS	AMOUNTS ($)
2013	350,000	2023	675,000
2014	520,000	2024	690,000
2015	540,000	2025	705,000
2016	550,000	2026	725,000
2017	565,000	2027	745,000
2018	580,000	2028	760,000
2019	595,000	2029	785,000
2020	615,000	2030	1,955,000
2021	630,000	2031	2,015,000
2022	650,000	2032	2,085,000

INTEREST RATES:

maturities 2013, 2.000%
maturities 2014, 2.000%
maturities 2015, 2.000%
maturities 2016, 2.000%
maturities 2017, 2.000%
maturities 2018, 2.000%
maturities 2019, 2.000%
maturities 2020, 3.000%
maturities 2021, 3.000%
maturities 2022, 3.000%
maturities 2023, 2.625%
maturities 2024, 3.000%
maturities 2025, 3.000%
maturities 2026, 3.000%
maturities 2027, 3.125%
maturities 2028, 3.125%
maturities 2029, 3.200%
maturities 2030, 3.250%
maturities 2031, 3.300%
maturities 2032, 3.375%

EXHIBIT A:
FORM OF BOND
United States of America
State of Texas

__________ __________

Registered Registered

MUELLER LOCAL GOVERNMENT CORPORATION
TAX INCREMENT CONTRACT REVENUE BOND
SERIES 2012

INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

The MUELLER LOCAL GOVERNMENT CORPORATION (the "Issuer"), a not-for-profit local government corporation created under authority of Chapter 431, Subchapter D, Texas Transportation Code (the "Act") by the City of Austin, Texas (the "City"), for value received, promises to pay, but solely from certain Pledged Revenues as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date specified above, upon presentation and surrender of this Bond at the designated corporate trust office in Jersey City, New Jersey (the "Designated Payment/Transfer Office") of Deutsche Bank National Trust Company, as paying agent and registrar (the "Registrar"), the principal amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such Pledged Revenues, interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the Dated Date of the Bonds specified above, or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Bond is payable by check on March 1 and September 1, beginning on March 1, 2013, mailed to the Registered Owner as shown on the books of registration kept by the Registrar as of the fifteenth day of the month next preceding each interest payment date (the "Record Date"), or by such other method, acceptable to the Registrar, requested by and at the risk and expense of the Registered Owner. If interest on this Bond is not paid on any interest payment date specified above, and continues unpaid for thirty (30) days thereafter, the Registrar shall establish a new Record Date for the payment of such interest (a "Special Record Date"). Such Special Record Date shall be established in accordance with the terms of the hereinafter defined Resolution.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS dated as of the Dated Date of the Bonds specified above, aggregating $16,735,000, issued for the purpose of (1) paying costs of public infrastructure improvements, as described in the Resolution and (2) paying Costs of Issuance, all under and pursuant to the authority of the Act and all other applicable laws, an Indenture of Trust dated as of September 1, 2009 (the "Indenture"), between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), and a resolution adopted by the Issuer on August 23, 2012 (the "Resolution"). All defined terms not herein defined shall have the meaning attributed thereto in accordance with the terms of the Resolution.

THIS BOND AND THE SERIES OF WHICH IT IS A PART are limited obligations of the Issuer that are payable from, and are equally and ratably secured by a first lien on the "Pledged Revenues", as defined and provided in the Indenture, which Pledged Revenues are required to be set aside and pledged to the payment of the Bonds and all additional bonds and parity contractual obligations issued or entered into on a parity therewith, in the Debt Service Fund maintained for the payment of all such Bonds, all as more fully described and provided for in the Resolution. This Bond and the series of which it is a part, together with the interest thereon, are payable solely from such Pledged Revenues.

ON SEPTEMBER 1, 2022, or on any date thereafter, the Bonds of this Series maturing on September 1, 2023 and thereafter may be redeemed prior to their scheduled maturities, at the option of the Issuer, in whole, or in part, at par and accrued interest to the date fixed for redemption. The years of maturity of the Bonds called for redemption at the option of the City prior to stated maturity shall be selected by the City. The Bonds or portions thereof redeemed within a maturity shall be selected by lot or other method by the Paying Agent/Registrar; *provided*, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class postage prepaid, addressed to each such registered owner at his address shown on the Register, and to major securities depositories, national bond rating agencies and bond information services. By the date fixed for any such redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion hereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Register all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of $5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Resolution.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the Designated Payment/Transfer Office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative, subject to the terms and conditions of the Resolution.

THIS BOND IS EXCHANGEABLE at the Designated Payment/Transfer Office of the Registrar for Bonds in principal amounts only in Authorized Denominations, subject to the terms and conditions of the Resolution.

NEITHER THE ISSUER NOR THE REGISTRAR shall be required (i) to make any transfer or exchange of any Bond during the period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; *provided, however*, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

DURING ANY PERIOD in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository; provided, however, that no Bonds shall be redeemed in a manner where the beneficial owner thereof shall own Bonds in any Authorized Denomination.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Resolution unless this Bond is either (i) registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) authenticated by the Registrar by due execution of the authentication certificate endorsed hereon.

THE ISSUER HAS RESERVED THE RIGHT to issue additional parity Tax Increment Contract Revenue Bonds, subject to the restrictions contained in the Indenture and the Resolution, which may be equally and ratably payable from, and secured by a first lien on and pledge of, the Pledged Revenues in the same manner and to the same extent as this Bond and the series of which it is a part.

THE BONDS ARE A LIMITED OBLIGATION OF THE CORPORATION, PAYABLE SOLELY OUT OF THE TRUST ESTATE HELD BY THE TRUSTEE UNDER THE TERMS OF THE INDENTURE, WHICH IS THE SOLE ASSET OF THE CORPORATION PLEDGED THEREFOR. THE BONDS ARE OBLIGATIONS SOLELY OF THE CORPORATION AND DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OF TEXAS. THE CITY IS NOT OBLIGATED TO MAKE PAYMENTS ON THE BONDS, OTHER THAN AS OTHERWISE PROVIDED FOR IN THE INDENTURE.

IT IS HEREBY DECLARED AND REPRESENTED that this Bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this Bond have been performed, existed, and been done in accordance with law; that the Bonds do not exceed any statutory limitation; and that provision has been made for the payment of the principal of and interest on this Bond and all of the Bonds by the creation of the aforesaid lien on and pledge of the Pledged Revenues.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed by the manual or facsimile signatures of the President and the Secretary.

MUELLER LOCAL GOVERNMENT CORPORATION

____
President, Board of Directors

____
Secretary, Board of Directors

(SEAL)

FORM OF REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. ______

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY SIGNATURE AND SEAL this _________________________.

____
Comptroller of Public Accounts
of the State of Texas

(SEAL)

FORM OF REGISTRAR'S AUTHENTICATION CERTIFICATE

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been delivered pursuant to the Bond Resolution described in the text of this Bond; and that this Bond is one of a series of Bonds approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Registrar

By: __________________________________
Authorized Signature

Date of Authentication: ____________

FORM OF ASSIGNMENT

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto ____ (Please print or type name, address, and zip code of Transferee)

____

(Please insert Social Security or Taxpayer Identification Number of Transferee) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

____

attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _________________ __________________________________

Signature Guaranteed: __________________________________

Registered Owner

____

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

____

NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this Bond in every particular, without any alteration, enlargement or change whatsoever.

Exhibit B
to
Resolution

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 9.1 of this Resolution.

Annual Financial Information and Operating Data

The quantitative financial information and operating data with respect to the City of the general type included in the Official Statement under the heading "General Fund Revenues and Expenditures and Changes in Fund Balance"; under the subheadings "Municipal Sales Tax" and "Transfers from Utility Fund" under the heading "Certain General Fund Receipts other than Ad Valorem Taxes"; the subheadings "Tax Valuation" (with respect to the appraised value as of January 1 during the fiscal year as to which such annual report relates), "Valuation and Funded Debt History", "Tax Rate, Levy and Collection History", "Ten Largest Taxpayers", and "Property Tax Rate Distribution" under the heading "Tax Information"; and under the subheading "Current Investments" under the heading "Investments".

The quantitative financial information and operating data with respect to TIRZ Sixteen of the general type included in the Official Statement under the subheadings "Historical Assessed Valuation Applicable to the Zone" and "Top Ten Taxpayers in the Zone (Certified Tax Roll)" under the heading "Security and Source of Payment".

The financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in the above paragraph.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Reference is hereby made to the Indenture for a complete description of the terms and conditions set forth therein. A copy of the Indenture can be obtained from the representative of the City shown in the Official Statement.

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below or in the Bond Resolutions for all purposes of the Indenture:

"Accounting Principles" shall mean the accounting principles described in the notes to the Audit as such principles may be changed from time to time to comply with State laws or regulations.

"Act" shall mean Chapter 431, Texas Transportation Code.

"Additional Parity Bonds" shall mean the additional parity Tax Increment Contract Revenue Bonds permitted to be issued by the Corporation pursuant to Section 3.02 of the Indenture.

"Annual Debt Service" shall mean for any annual period (any Fiscal Year or any other twelve (12) consecutive calendar month period), while Bonds are Outstanding, an amount equal to the sum of (i) all interest on such Bonds which is due during such period, plus (ii) that portion of the Principal Installment or Installments of such Bonds which is due during such period, as limited and calculated in the following manner:

(a) Except as modified below, (i) for any twelve (12) consecutive calendar month period other than the calendar year, whether or not such period constitutes the Corporation's current Fiscal Year or any future Corporation Fiscal Year, the aggregate amount of interest on and Principal Installment of the Bonds which was paid or redeemed or is scheduled to accrue and be paid or redeemed during such twelve (12) consecutive month period; and (ii) for any Fiscal Year while the Corporation's Fiscal Year is the same as the calendar year, the aggregate amount of interest on and Principal Installment of the Bonds which was paid or redeemed or is scheduled to accrue and be paid or redeemed after a Principal Installment Payment Date within such Fiscal Year and on or before the next following Principal Installment Payment Date; and

(b) As to any annual period prior to the date of any calculation, such requirements shall be calculated solely on the basis of Bonds which were Outstanding as of the first (1st) day of such period; and as to any future year such requirements shall be calculated solely on the basis of Bonds Outstanding as of the date of calculation; and

(c) Notwithstanding the foregoing, all amounts which have been or are expected to be realized as interest and investment earnings on amounts on deposit in the Debt Service Fund (other than those amounts which are to be deposited into the Rebate Fund pursuant to Section 4.05 of the Indenture) and which are used or scheduled to be used to pay interest on or Principal Installments of Bonds during any annual period, shall be deemed to reduce the Annual Debt Service for any such annual period to the extent of such deposits; and the amount of such deposits shall be excluded from and shall not constitute Annual Debt Service for any such annual period.

"Authorized Representative" shall mean the President or any Vice President of the Corporation, the Treasurer of the Corporation, or any other person designated to perform a specified act, to sign a specified document or to act generally on behalf of the Corporation by a written instrument furnished to the Trustee.

"Average Annual Debt Service" shall mean the total Debt Service (as of the date of the calculation) divided by the remaining number of years until the final maturity of the Bonds. The Average Annual Debt Service calculated under the Indenture shall remain in effect until the next date when such calculation is required under the Indenture. For the purposes of calculating the Average Annual Debt Service, any fractional year shall be included in the calculation as a full year.

"Board" shall mean the Board of Directors of the Corporation.

"Bond Counsel" shall mean such nationally recognized firm expert in matters relating to public finance law and the federal income tax laws relating to the issuance of municipal bonds engaged by the Corporation.

"Bond Resolutions" shall mean the resolutions from time to time adopted by the Corporation authorizing the Tax Increment Contract Revenue Bonds.

"Bonds" or "Tax Increment Contract Revenue Bonds" shall mean one or more Series of bonds issued by the Corporation pursuant to the Indenture and the Bond Resolutions.

"Business Day" shall mean any day which is not a Saturday, Sunday, a day on which banking institutions in the city where the Designated Payment/Transfer Office (as defined in a Bond Resolution) of the Paying Agent/Registrar is located are authorized by law or executive order to close, or a legal holiday.

"Captured Appraised Value" shall mean the total appraised value of all real property taxable by a Taxing Unit and located in TIRZ Sixteen less the Tax Increment Base of the Taxing Unit.

"Chapter 380 Program" shall mean the economic development grant program the City Council adopted pursuant to Chapter 380 of the Texas Local Government Code.

"City" shall mean the City of Austin, Texas.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable provisions of any future federal income tax laws.

"Contract Tax Increments" shall mean Tax Increments from time to time required to be deposited by the Participants into the Tax Increment Fund pursuant to the TIRZ Act and the Participant Contracts and payable to the Corporation pursuant to the Tri-Party Agreement.

"Corporation" shall mean the Mueller Local Government Corporation.

"Costs of Issuance" shall mean all charges, costs and expenses of the Corporation incurred in connection with the authorization, issuance, sale and delivery of Tax Increment Contract Revenue Bonds including, but not limited to, legal fees, financial advisory fees, bond insurance premiums, fiscal or escrow agent fees, printing fees, accounting fees, consultant fees, verification fees, travel expenses, rating agency fees, fees of the Trustee and its counsel and Attorney General fees.

"Creation Ordinance" shall mean the ordinance adopted by the City creating TIRZ Sixteen.

"Debt Service" shall mean the Principal Installments and interest on the Bonds.

"Debt Service Fund" shall mean the fund so designated and created pursuant to Article IV of the Indenture.

"Eligible Investments" shall mean any investments which the City is permitted to make under the laws of the State of Texas, including the Public Funds Investment Act, Chapter 2256, Texas Government Code, as described in the City's investment policy approved by the City Council.

"Event of Default" shall mean any Event of Default described in Section 6.01 of the Indenture.

"Exempt Securities" shall mean bonds or other evidences of obligations, the interest on which is exempt from federal income taxation under Section 103(a) of the Code.

"Fair Market Value shall mean as of any particular date:

(a) as to Eligible Investments the bid and asked prices of which are published on a regular basis in a financial journal or publication of general circulation in the United States of America, the bid price for such Eligible Investments so published on, or most recently prior to, the date of valuation by the Trustee, or, in the alternative, the bid price for such Eligible Investments as provided by a pricing service selected by the Trustee, or

(b) as to Eligible Investments the bid and asked prices of which are not published on a regular basis in a financial journal or publication of general circulation in the United States of America, the average bid price on such Eligible Investments at the date of valuation by the Trustee, as reported to the Trustee by any two nationally recognized dealers (in the opinion of the Trustee) in such Eligible Investments.

"Fiscal Year" shall mean the twelve (12) month period commencing on October 1 of a calendar year and ending September 30 of the next succeeding calendar year, or such other consecutive twelve (12) month period as determined by the Corporation.

"Fund" shall mean any one or more, as the case may be, of the separate special Funds created and established or required to be maintained pursuant to the Indenture.

"Grant Agreement" shall mean the Grant Agreement between the City and the Corporation.

"Grant Payments" shall mean payments granted to the Corporation by the City pursuant to the Chapter 380 Program in accordance with the terms and provisions of the Grant Agreement.

"Interest Account" shall mean the account so designated and created within the Debt Service Fund pursuant to Article IV of the Indenture.

"Interest Payment Date" shall mean March 1 and September 1 in such years as shall be determined in accordance with the terms of the Bond Resolution governing the issuance of the Series of Bonds.

"Mandatory Redemption Installment" shall mean, as of any particular date of calculation and with respect to any Series of Bonds, the amount of money to be applied to the mandatory redemption (including any mandatory redemption premium, if any) of Bonds in any Fiscal Year prior to maturity pursuant to the Indenture or any Bond Resolution, as such Mandatory Redemption Installment shall have been previously reduced by the principal amount of any Bonds of such Series of the maturity with respect to which such Mandatory Redemption Installment is payable which are purchased or redeemed by the Trustee in accordance with the provisions of the Indenture or of any Bond Resolution, other than a Mandatory Redemption Installment redemption or purchase.

"Master Development Agreement" shall mean the Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004.

"Maximum Annual Debt Service" shall mean the greatest amount of the Annual Debt Service calculated for any future Fiscal Year, taking into account any Mandatory Redemption Installments scheduled to be payable on any Series of Bonds.

"Other Revenues" shall mean any monies deposited to the credit of the Pledged Revenue Fund that are designated by the Corporation to be pledged as a Pledged Revenue including, without limitation, any Grant Payments.

"Outstanding" when used with reference to Bonds, shall mean, as of a particular date, all Bonds theretofore and thereupon delivered except: (a) any Bond cancelled by or on behalf of the Corporation or delivered to the Registrar for cancellation at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of the Resolution or otherwise defeased as permitted by applicable law, and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Resolution.

"Owner" or "Registered Owner", when used with respect to any Bond shall mean the person or entity in whose name such Bond is registered in the 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 Resolution.

"Parity Bonds" shall mean the Bonds and each Series of Additional Parity Bonds from time to time hereafter issued, but only to the extent such Parity Bonds remain Outstanding.

"Participant Agreements" shall mean, collectively, the Tri-Party Agreement, and any other contracts from time to time hereafter entered into between the Corporation or the City and the Participants, containing provisions with respect to the payment by the Participants of their respective Tax Increments.

"Participants" shall mean, initially, the City, and shall include any other Taxing Unit which may hereafter execute a Participant Agreement, pursuant to which the Participant is obligated to pay all or part of its Tax Increments to the Tax Increment Fund.

"Paying Agent/Registrar" shall mean the bank or trust company so designated in the Bond Resolutions.

"Pledged Revenue Fund" shall mean the fund so designated and created pursuant to Article IV of the Indenture.

"Pledged Revenue Fund Balance" shall mean, as of any Transfer Date, $100,000.

"Pledged Revenues" shall have the meaning assigned to that term in Article II of the Indenture.

"Principal Account" shall mean the account so designated and created within the Debt Service Fund pursuant to Article IV of the Indenture.

"Principal Installment" shall mean, as of any particular date of computation, an amount of money equal to the aggregate of (a) the principal amount of Outstanding Bonds of a Series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds of such Series which would at or before said future date be retired as a result of Mandatory Redemption Installments applied in accordance with the Indenture plus (b) the amount of any Mandatory Redemption Installment payable on said future date for the retirement of any Outstanding Bonds of said Series.

"Principal Installment Payment Date", when used in connection with any Bond, shall mean September 1 in each year such Bonds are scheduled to mature, as determined in accordance with the terms of the Bond Resolution governing the issuance of the Series of such Bonds.

"Project and Financing Plan" shall mean the final Project Plan and Financing Plan of TIRZ Sixteen adopted by the Board and approved by the City, and as amended from time to time.

"Project Costs" shall mean the Public Finance Reimbursable Project Costs as defined in the Master Agreement, and as further described in a Bond Resolution.

"Public Improvements Fund" shall mean the fund so designated and created pursuant to Article IV of the Indenture.

"Rebate Fund" shall mean the fund so designated and created pursuant to Article IV of the Indenture.

"Register" or "Bond Register" shall mean the books of registration kept by the Registrar in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Owner.

"Regulations" shall mean the Income Tax Regulations promulgated under the Code.

"Series" shall mean all of the Bonds authenticated and delivered on issuance and pursuant to the Indenture or any Bond Resolution authorizing the issuance of such Bonds as a separate series of Bonds or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

"State" shall mean the State of Texas.

"Subordinate Lien Obligations" shall mean any bonds, notes or other obligations, including contractual obligations incurred by the Corporation, secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Tax Increment Contract Revenue Bonds.

"Tax Increment Base" shall mean the total appraised value of property in TIRZ Sixteen as of January 1, 2004 plus the total appraised value of real property taxable by a Taxing Unit and annexed into TIRZ Sixteen as determined in the year in which such property was annexed into TIRZ Sixteen.

"Tax Increment Fund" shall mean the City's TIRZ Sixteen Tax Increment Fund created and maintained in accordance with the Creation Ordinance and the TIRZ Act.

"Taxing Unit" shall mean, in addition to the City, Travis County, a special district or authority (including a junior college district, a hospital district, a navigation district, or other district created by or pursuant to the V.T.C.A., Water Code), or any other political subdivision of the State, whether created by or pursuant to the Texas Constitution or a local, special or general law, that is authorized to impose and is imposing ad valorem taxes on real property in TIRZ Sixteen, even if the governing body of another political unit determines the tax rate for the unit or otherwise governs its affairs.

"TIRZ Act" shall mean Chapter 311, Texas Tax Code, as amended.

"TIRZ Sixteen" shall mean Tax Increment Financing Reinvestment Zone Number Sixteen, City of Austin, Texas.

"Transfer Date" shall mean February 15, 2010, and each August 15 and February 15 thereafter for so long as the Indenture is in effect.

"Tri-Party Agreement" shall mean that certain Agreement by and among the City, TIRZ Sixteen and the Corporation, effective as of August 27, 2009.

"Trustee" shall mean Deutsche Bank Trust Company Americas, and its successors in that capacity.

Section 2.01. Granting Clauses. In order to secure the payment of the principal of, redemption premium, if any, and interest on all Tax Increment Contract Revenue Bonds as the same are issued and become due and payable, whether at maturity or by prior redemption, and the performance and observance of all of the covenants and conditions herein contained, and in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Tax Increment Contract Revenue Bonds by the Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation does hereby GRANT, BARGAIN, CONVEY, ASSIGN and PLEDGE to the Trustee and its successors in trust hereunder, subject to the provisions of the Indenture, all of the Corporation's right, title and interest in and to the following described properties and interests, direct or indirect, whether now owned or hereafter acquired (collectively, the "Pledged Revenues" or the "Trust Estate"):

(a) All of the Corporation's right, title and interest under the Participant Agreements and the Tri-Party Agreement, including the right, title and interest of the Corporation to the Contract Tax Increments the Corporation is entitled to receive thereunder.

(b) Other Revenues.

(c) All moneys deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund and the Public Improvements Fund held by the Trustee pursuant to the provisions of the Indenture and all interest earnings and investment income therefrom, other than any amount required to be rebated to the United States under Section 148(f) of the Code and deposited to Rebate Fund pursuant to Section 4.05.

(d) Any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with, the Trustee as additional security hereunder by the Corporation, or anyone on behalf of the Corporation, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee as security hereunder, or of a receiver lawfully appointed hereunder, all of which property the Trustee is authorized to receive, hold and apply according to the terms hereof.

Section 3.01. Authorization of Tax Increment Contract Revenue Bonds. (a) The Tax Increment Contract Revenue Bonds may be authorized from time to time by the Corporation pursuant to Bond Resolutions duly adopted by the Board, which Bond Resolutions shall specify or provide for the dates, denominations, principal amounts, interest rates, maturities, redemption provisions, forms of bonds, manner of payment, provision for execution and authentication, application of proceeds and all other terms and provisions of the Tax Increment Contract Revenue Bonds not otherwise provided herein.

(b) At or prior to the issuance of each series of Tax Increment Contract Revenue Bonds pursuant to any Bond Resolution, the Corporation shall provide to the Trustee the following:

(1) a certified copy of the Bond Resolution;

(2) the approving opinion of the Corporation's Bond Counsel with respect to such Series of Tax Increment Contract Revenue Bonds to the effect (i) that the Bonds are valid and binding obligations of the Corporation except to the extent that their enforceability may be limited by applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and except that such enforceability is subject to general principles of equity and the exercise of judicial discretion (regardless of whether such enforceability is considered in a proceeding in law or at equity), and (ii) that the Bonds are issued pursuant to the terms of the Indenture;

(3) if such Series of Tax Increment Contract Revenue Bonds are being issued to refund any previously issued Tax Increment Contract Revenue Bonds, the identity, redemption date and redemption price of the Tax Increment Contract Revenue Bonds to be refunded; and

(4) a Debt Service schedule with regard to such Series of Tax Increment Contract Revenue Bonds and all Tax Increment Contract Revenue Bonds that will then be Outstanding after the issuance of such series of Tax Increment Contract Revenue Bonds and refunding of any Tax Increment Contract Revenue Bonds being refunded thereby.

Section 3.02. Additional Parity Bonds. The Corporation reserves the right to issue, for any lawful purpose (including the refunding of any previously issued or incurred Tax Increment Contract Revenue Bonds), one or more series of Additional Parity Bonds payable from and secured by a first lien on the Pledged Revenues, on a parity with the Bonds, and any previously issued Additional Parity Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

(a) The Additional Parity Bonds mature on, and interest is payable on, the Principal Installment Payment Dates and Interest Payment Dates, respectively; and

(b) The Corporation is not in material default with the terms of the Indenture, any Bond Resolution, the Grant Agreement or any other agreement to which it is a party and has so certified.

The foregoing notwithstanding, the aggregate principal amount of Tax Increment Contract Revenue Bonds that may be issued that are secured by a first lien on and pledge of the Trust Estate shall not exceed $50,000,000.

Section 3.03. Subordinate Lien Obligations. The Corporation reserves the right to issue, for any lawful purpose, Subordinate Lien Obligations secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Tax Increment Contract Revenue Bonds. Such Subordinate Lien Obligations may be further secured by any other source of payment lawfully available for such purposes.

Section 4.01. Creation of Funds. There are hereby created the following Funds:

(A) Pledged Revenue Fund;

(B) Debt Service Fund;

(C) Public Improvements Fund; and

(D) Rebate Fund.

Each Fund shall be maintained by the Trustee separate and apart from all other funds of the Corporation. The Pledged Revenue Fund, the Debt Service Fund and the Public Improvements Fund shall constitute trust funds which shall be held in trust by the Trustee solely for the benefit of the Owners of the Tax Increment Contract Revenue Bonds. The Trustee, at its discretion or upon the written direction of the Corporation, may establish accounts within any Fund to enable the more efficient management of the monies on deposit in any such Fund.

Section 4.02. Pledged Revenue Fund. There is hereby created and established with the Trustee a fund to be designated the "Pledged Revenue Fund". Immediately upon receipt thereof, the Corporation shall deposit into the Pledged Revenue Fund all Grant Payments and any Other Revenues. Money in the Pledged Revenue Fund shall be held in trust by the Trustee and, upon receipt of written instructions from an Authorized Representative, shall be applied on each Transfer Date in the following manner and order of priority:

(A) First, to the Interest Account amounts necessary to make the amounts on deposit therein equal to the interest due on the Tax Increment Contract Revenue Bonds on the next succeeding Interest Payment Date;

(B) Second, to the Principal Account amounts necessary to make the amounts on deposit therein equal to one-half of the Principal Installments, and premium, if any, due on the Bonds on the next succeeding Principal Installment Payment Date;

(C) Third, to the payment of the fees and expenses of the Trustee and Paying Agent/Registrar due and owing, for the next six (6) month period;

(D) Fourth, to any fund or account created for the benefit of any Subordinate Lien Obligations issued or incurred by the Corporation; provided that immediately prior to any such transfers the deposits required by Sections 4.02(A) through (C) above have been made or provided for; and

(E) Fifth, as directed by the Corporation, for any lawful purpose as may be approved by the City for the payment of Project Costs; provided that immediately prior to any such transfers the deposits required by Sections 4.02(A) through (D) above have been made or provided for.

The written directions provided by the Corporation shall be delivered to the Trustee on or before each Business Day next preceding a Transfer Date. The Trustee is hereby authorized to rely upon such written directions delivered to it by the Corporation. The foregoing notwithstanding, after the deposits required by Sections 4.02(A) through (D) above have been made or provided for, the Trustee may make deposits as permitted by Section 4.02(E) in accordance with written directions executed by an Authorized Representative and approved by the City, provided that after such deposits and transfers required by Sections 4.02(A) through (D) above have been made, upon transferring funds as permitted by Section 4.02(E) above, there shall be on deposit in the Pledged Revenue Fund moneys not less than the Pledged Revenue Fund Balance.

Section 4.03. Debt Service Fund. There is hereby created and established with the Trustee a fund to be designated the "Debt Service Fund". Within the Debt Service Fund, there are hereby created and established accounts to be designated the "Interest Account" and the "Principal Account". Money in the Debt Service Fund shall be held in trust by the Trustee. The Corporation shall deposit or cause to be deposited into the Debt Service Fund accrued interest on the Tax Increment Contract Revenue Bonds, moneys designated by the Corporation as capitalized interest on the Tax Increment Contract Revenue Bonds, transfers from the Pledged Revenue Fund as provided in Section 4.02, and, to the extent necessary, other Pledged Revenues in such amounts and at such times to provide that amounts necessary to pay interest and Principal Installments due on the Tax Increment Contract Revenue Bonds in the then current Fiscal Year. The Trustee shall transfer on each Interest Payment Date and each Principal Installment Payment Date to the Paying Agent/Registrar such amounts in the Principal Account and the Interest Account to pay, respectively, Principal Installments and interest on the Tax Increment Contract Revenue Bonds as the same becomes due. The Trustee shall make all such transfers such that the Corporation shall be in compliance with the Principal and Interest Guidelines in the Operational Arrangement of The Depository Trust Company, as amended from time to time.

Section 4.04. Public Improvements Fund. There is hereby created and established with the Trustee a fund to be designated the "Public Improvements Fund". The Trustee, at the direction of the Corporation, may establish and create within the Public Improvements Fund such number of accounts and subaccounts as the Corporation deems appropriate.

The Public Improvements Fund and any accounts or subaccounts thereof shall initially be funded as provided in the Bond Resolutions. The money and securities in the Public Improvements Fund shall be held in trust by the Trustee and applied as provided herein, and until such application, the money and securities in such fund shall be subject to a lien and charge in favor of the Owners of the Bonds.

(A) The Trustee is hereby authorized and directed to make disbursements from the Public Improvements Fund and to issue its checks therefor or otherwise pay upon receipt of a requisition in accordance with Section 4.04(B). The Trustee shall keep and maintain adequate records pertaining to the Public Improvements Fund and all disbursements therefrom.

(B) The Trustee shall use money in the Public Improvements Fund solely to pay or reimburse the Corporation for Project Costs including Costs of Issuance and the repayment of any advances, loans, notes or other obligations used to finance Project Costs. Before any payment shall be made from the Public Improvements Fund, there shall be filed with the Trustee a completed requisition signed by an Authorized Representative of the Corporation. Upon receipt of such requisition, the Trustee shall make payment from the Public Improvements Fund in accordance with such requisition.

Section 4.07. Investments; Earnings. Monies deposited into the Pledged Revenue Fund, the Debt Service Fund, and the Public Improvements Fund shall be invested and reinvested in Eligible Investments as directed in writing to the Trustee by the Corporation; provided that all such Eligible Investments shall be directed by the Corporation in such manner that the money required to be expended from any Fund will be available at the proper time or times.

(A) All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the monies for such investments were taken (except as otherwise expressly provided in the Indenture). All losses on investments shall be charged against the Fund to which such investments are credited. The Trustee shall have the right to have sold in the open market a sufficient amount of any such investments at any time that a Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. The Trustee shall not be liable or responsible for any loss resulting from any such investment or resulting from the sale of any such investment as herein authorized. The Trustee shall not be responsible for determining whether any Eligible Investments are legal investments under the laws of the State.

(B) At the direction of the Corporation, a portion of the investment income from any Fund may be paid directly to the Rebate Fund, free and clear of the lien and pledge of the Indenture, without regard to the provisions of Section 4.02, for payment to the United States pursuant to Section 4.06 in order to maintain the tax-exempt status of the Bonds.

(C) The Trustee may make any investment through its own investment department. As amounts invested are needed for disbursement from any Funds, the Trustee shall cause a sufficient amount of the investments credited to that Fund to be redeemed or sold and converted into cash to the credit of that Fund. Securities transaction charges incident to any purchase, sale, or redemption of Eligible Investments shall be charged to the Corporation.

(D) The Corporation by its execution of the Indenture covenants to restrict the investment of money in the Funds created under the Indenture in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Bonds are delivered to their original purchaser, so that the Bonds will not constitute arbitrage bonds under the Code and applicable Regulations, and the Trustee hereby agrees to comply with the Corporation's instructions with respect to the investment of money in the Funds created under the Indenture.

(E) The Corporation has covenanted to provide the Trustee with written instructions to assure that any amounts that, in accordance with the Code and applicable regulations, are required to be invested at a restricted yield will be invested either (i) in Exempt Securities or (ii) at a yield that is not materially higher than the yield on the Bonds, determined in accordance with the Code and applicable Regulations, unless in the opinion of Bond Counsel, investment of such at a higher rate will not adversely affect the exclusion from gross income of interest on the Tax Increment Contract Revenue Bonds for federal income tax purposes. For the purpose of applying this Section, amounts on deposit in each Fund shall be accounted for on a first in, first out basis. The Trustee, at the Corporation's direction, is authorized to yield restrict any investment in accordance with Article VIII of the Bond Resolutions.

(F) For the purpose of determining the amount on deposit to the credit of any such Fund, obligations in which money in such Fund shall have been invested shall be valued at the Fair Market Value. The Trustee shall provide a valuation of the Eligible Investments in the Funds established under the Indenture as of the last Business Day of each month and at the time or times withdrawals are made therefrom. If the Corporation shall fail to so direct investments, the Trustee shall invest the affected moneys in a money market mutual fund managed by the Trustee whose underlying assets meet the requirements of Chapter 2256, Texas Government Code, and which is rated in the highest rating category issued by a nationally recognized municipal securities rating agency.

Section 5.01. Payment of Tax Increment Contract Revenue Bonds. The Corporation covenants to promptly pay or cause to be paid the principal of, redemption premium, if any, and interest on the Tax Increment Contract Revenue Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Tax Increment Contract Revenue Bonds and the Bond Resolutions; to pay when due all fees, charges and other amounts due to the Trustee and the Paying Agent/Registrar for the discharge of their duties hereunder; and to faithfully keep and perform all of its covenants, undertakings and agreements contained in the Indenture, the Grant Agreement, the Bond Resolutions and the Tax Increment Contract Revenue Bonds.

Section 5.04. Pledged Revenues Not Encumbered. The Pledged Revenues are not in any manner pledged to the payment of any debt or obligation of the Corporation other than the Tax Increment Contract Revenue Bonds. The Corporation covenants that it will not in any manner pledge or further encumber the Pledged Revenues unless such pledge or encumbrance is junior and subordinate to the lien and pledge hereunder securing the Tax Increment Contract Revenue Bonds.

Section 5.05. Collection of Contract Tax Increments. Subject to the provisions of applicable law and the Tri-Party Agreement, the Corporation covenants and agrees to use its best efforts to cause the City to contribute, and for the City to cause each Participant to pay to the City, when due, all Contract Tax Increments to provide for the payment of the principal of and interest on the Tax Increment Contract Revenue Bonds.

Section 5.06. Amendment of Grant Agreement or Tri-Party Agreement. The Corporation covenants not to cause any amendment of the Grant Agreement or the Tri-Party Agreement that will in any manner impair the rights of the Owners of the Tax Increment Contract Revenue Bonds.

Section 6.01. Events of Default. An Event of Default hereunder shall consist of any of the following acts or occurrences:

(A) failure to pay when due Principal Installments or interest on any Tax Increment Contract Revenue Bond; or

(B) failure to deposit to the Debt Service Fund money sufficient for the payment of any Principal Installments or interest payable on the Tax Increment Contract Revenue Bonds by no later than the date when such Principal Installment or interest becomes due and payable; or

(C) failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Tax Increment Contract Revenue Bonds, which failure shall have continued for a period of thirty (30) days after written notice, either by registered or certified mail, to the Corporation specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25 percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then outstanding.

Section 6.04. Remedies in General. If an Event of Default hereunder shall occur and be continuing, then, in addition to all of the other rights and remedies granted to the Trustee hereunder, the Trustee in its discretion, subject to the provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Owners of Tax Increment Contract Revenue Bonds by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Bond Resolutions or the Tax Increment Contract Revenue Bonds or in aid of the execution of any power granted in the Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Owners of the Tax Increment Contract Revenue Bonds, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the members of the Board or other officers of the Corporation or the City to observe and perform such covenant, obligations or conditions of the Indenture, the Tri-Party Agreement or the Grant Agreement.

Section 6.05. Appointment of Receivers. If an Event of Default hereunder shall occur and be continuing, and upon filing of a bill in equity or commencement of other judicial proceedings to enforce the rights of the Trustee and the Owners hereunder, the Trustee shall be entitled as a matter of right, and to the extent permitted by law, to the appointment of a receiver or receivers of the Pledged Revenues and the income, rents, profits and use thereof pending such proceedings, with such powers as the court making such appointment shall confer.

Section 6.06. Trustee May Act Without Possession of Tax Increment Contract Revenue Bonds. All rights of action under the Indenture or under any Tax Increment Contract Revenue Bonds may be enforced by the Trustee without possession of any of the Tax Increment Contract Revenue Bonds or the production thereof on any trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name, as Trustee for the ratable benefit of the Owners of the Tax Increment Contract Revenue Bonds, subject to the provisions of the Indenture.

Section 6.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Tax Increment Contract Revenue Bonds, or now or hereafter existing at law or in equity or by statute. Anything to the contrary herein notwithstanding, acceleration shall not be a remedy if an Event of Default occurs and is continuing. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 6.09. Limitation on Suits. All rights of action in respect of the Indenture shall be exercised only by the Trustee, and no Owner of any Bond secured hereunder shall have any right to institute any suit, action or proceeding at law or in equity for the appointment of a receiver or for any other remedy hereunder or by reason hereof, unless and until the Trustee shall have received written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding and shall have been furnished reasonable indemnity and shall have refused or neglected for ten (10) days thereafter to institute such suit, action or proceedings. The making of such request and the furnishing of such indemnity shall in each and every case be conditions precedent to the execution and enforcement by any Owner of any Bond of the powers and remedies given to the Trustee hereunder and to the institution and maintenance by any such Owner of any action or cause of action for the appointment of a receiver or for any other remedy hereunder, but the Trustee may, in its discretion, and when duly requested in writing by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding and when furnished indemnity satisfactory to protect it against expenses, charges and liability shall, forthwith, take such appropriate action by judicial proceedings or otherwise in respect of any existing default on the part of the Corporation as the Trustee may deem expedient in the interest of the Owners of the Tax Increment Contract Revenue Bonds.

Nothing contained in this Article, however, shall affect or impair the right of any Owner, which shall be absolute and unconditional, to enforce the payment of the Principal Installments and interest on the Tax Increment Contract Revenue Bonds of such Owner, but only out of the moneys for such payment as herein provided, or the obligation of the Corporation, which shall also be absolute and unconditional, to make payment of the Principal Installments and interest on the Tax Increment Contract Revenue Bonds issued hereunder, but only out of the funds provided herein for such payment, to the respective Owners thereof at the time and place stated in the Tax Increment

Contract Revenue Bonds.

Section 6.10. Right of Owners of the Tax Increment Contract Revenue Bonds to Direct Proceedings. Notwithstanding any provision of the Indenture to the contrary, the Owners of a majority of the aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee or any other proceedings hereunder; provided, however, that such direction shall not be contrary to law or the provisions of the Indenture, and the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability or would be unjustly prejudicial to the Owners of the Tax Increment Contract Revenue Bonds not consenting. The Trustee may take any other action which is not inconsistent with the provisions of the Indenture or with any direction under this Section. Anything to the contrary herein notwithstanding, acceleration shall not be a remedy available to the Owners.

Section 7.01. Discharge and Release of Lien. When all Tax Increment Contract Revenue Bonds have been paid in full as to principal and as to interest and premium, if any, or when all Tax Increment Contract Revenue Bonds have become due and payable, whether at maturity or by prior redemption or otherwise, and the Corporation shall have provided for the payment of the whole amount due or to become due on all Tax Increment Contract Revenue Bonds then outstanding, including all interest which has accrued thereon or which may accrue to the date of maturity or redemption by depositing with the Trustee or the Paying Agent/Registrar, for payment of such outstanding Tax Increment Contract Revenue Bonds and the interest thereon and any premium which may be due thereon, the entire amount due or to become due thereon, or amounts and investments sufficient to provide for such payment as provided in the Bond Resolutions, and the Corporation shall also have paid or caused to be paid all sums payable hereunder by the Corporation, including the compensation due or to become due the Trustee, then the Trustee shall, upon receipt of a letter of instructions from the Corporation requesting the same, discharge and release the lien of the Indenture and execute and deliver to the Corporation such releases or other instruments as shall be required to release the lien hereof.

Section 9.01. Supplemental Indentures Not Requiring Consent of Owners of the Tax Increment Contract Revenue Bonds. The Corporation and the Trustee may, without the consent of the Owners of any of the Tax Increment Contract Revenue Bonds, enter into one or more supplemental indentures, which shall form a part hereof, for any one or more of the following purposes:

(a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Owners of the Tax Increment Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Tax Increment Contract Revenue Bonds or the Trustee or either of them;

(c) to subject to the lien of the Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Tax Increment Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;

(e) to obtain bond insurance for any Tax Increment Contract Revenue Bond; and

(f) to permit the assumption of the Corporation's obligations hereunder by any other entity that may become the legal successor to the Corporation, or by the City;

provided, however, that no provision in such supplemental indenture shall be inconsistent with the Indenture or shall impair in any manner the rights of the Owners of the Tax Increment Contract Revenue Bonds.

The Trustee shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under the Indenture.

Section 9.02. Supplemental Indentures Requiring Consent of Owners of the Tax Increment Contract Revenue

Bonds. Except as otherwise provided in the preceding Section, any modification, change or amendment of the Indenture may be made only by a supplemental indenture adopted and executed by the Corporation and the Trustee with the consent of the Owners of not less than a majority of the aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding.

Notwithstanding the preceding paragraph of this Section, no modification, change or amendment to the Indenture shall, without the consent of the Owner of each Bond so affected, extend the time of payment of the Principal Installments or interest thereon, or reduce the Principal Installments or premium, if any, thereon, or the rate of interest thereon, or make the Principal Installments or interest thereon payable in any coin or currency other than that hereinbefore provided, or deprive such Owner of the lien hereof on the revenues pledged hereunder. Moreover, without the consent of the Owner of each Bond then Outstanding, no modification, change or amendment to the Indenture shall permit the creation of any lien on the revenues pledged hereunder equal or prior to the lien hereof, or reduce the aggregate principal amount of Tax Increment Contract Revenue Bonds, the Owners of which are required to approve any such modification, change or amendment of the Indenture.

Section 9.03. Consents. Consents required pursuant to this Article shall be valid only if given following the giving of notice by or on behalf of the Corporation requesting such consent, setting forth the substance of the supplemental indenture in respect of which such consent is sought and stating that copies thereof are available at the office of the Trustee for inspection, to the Owners of Tax Increment Contract Revenue Bonds whose consent is required in accordance with the provisions of this Article. Such notice shall be given by sending such notice by United States mail, first class postage prepaid, to the registered Owners of such Tax Increment Contract Revenue Bonds. Any consent or other action by an Owner of any Bond in accordance with this Article shall bind every future owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof.

Section 9.04. Delivery of Counsel's Opinion with Respect to Supplemental Indentures. Subject to the provisions of the Indenture relating to the acceptance of the trusts under the Indenture, the Trustee in executing or accepting the additional trusts permitted by this Article or the modifications thereby of the trusts created by the Indenture may rely, and shall be fully protected in relying, on an opinion of counsel acceptable to it stating that (a) the execution of such supplemental indenture is authorized or permitted by the Indenture and (b) all conditions precedent to the execution and delivery of such supplemental indenture have been complied with, and an opinion of Bond Counsel that the execution and performance of such supplemental indenture shall not, in and of itself, adversely affect the federal income tax status of the Tax Increment Contract Revenue Bonds.

APPENDIX E

FORM OF BOND COUNSEL'S OPINION

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

MUELLER LOCAL GOVERNMENT CORPORATION
TAX INCREMENT CONTRACT REVENUE BONDS, SERIES 2012,
IN THE PRINCIPAL AMOUNT OF $16,735,000

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

MUELLER LOCAL GOVERNMENT CORPORATION
TAX INCREMENT CONTRACT REVENUE BONDS, SERIES 2012
$16,735,000

AS BOND COUNSEL for Mueller Local Government Corporation (the "Issuer"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date and mature on the dates specified on the face of the Bonds, all in accordance with the resolution of the Board authorizing the issuance of the Bonds (the "Bond Resolution"). Terms used herein and not otherwise defined shall have the meaning assigned to such terms as provided in the Bond Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer and the City of Austin, Texas (the "City"), and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the Bonds (Bond Number R-1). In addition, we have examined various certificates and documents executed by authorized representatives of the Issuer and the City, upon which certificates and documents we rely as to certain matters stated below.

IN OUR OPINION, the Issuer is a local government corporation duly and validly incorporated, existing, and functioning under and pursuant to Subchapter D, Chapter 431, Texas Transportation Code; that the Bond Resolution authorizing the execution of the Indenture and the issuance of the Bonds has been duly and lawfully adopted and constitutes a valid and binding obligation of the Issuer; and that the Bonds have been authorized and issued in accordance with law, and that the Bonds constitute valid, legally binding, and enforceable special revenue obligations of the Issuer, in accordance with their terms, with the principal of, redemption premium, if any, and interest on the Bonds, and other payments with respect to the Bonds, being payable from the payments to be made or paid, or caused to be made or paid, to the Trustee pursuant to the Indenture and together with bonds and other obligations of the Issuer that may be hereafter issued or incurred in accordance with the terms of the Indenture, are payable from, and secured by a first lien on and pledge of, the Pledged Revenues. All such bonds and obligations are secured ratably by such pledge of the Pledged Revenues in such manner that no one Bond shall have priority of lien over any other Bond so secured. Neither the faith and credit nor the taxing power of the State of Texas, the City, the Issuer, or any other political subdivision of the State of Texas has been pledged to the payment of the principal of or interest on the Bonds. The Bonds do not constitute an indebtedness or obligation of the City or any other city, county, or other municipal or political corporation or subdivision of the State of Texas, or of the State of Texas, or a loan of the credit of any of them within the meaning of any constitutional or statutory provisions. The Bonds are not secured by a mortgage or security interest in any of the property financed with the proceeds of the Bonds. The rights of the holder or holders of the Bonds to receive payment from the Pledged Revenues may be subject to the rights, if any, of the holders of bonds or other obligations issued by the City, that are payable from and secured by a general levy of ad valorem taxes throughout the City.

THE BONDS are further secured by an Indenture of Trust dated as of September 1, 2009 (the "Indenture"), whereunder Deutsche Bank Trust Company Americas, or its successor as trustee (the "Trustee"), is custodian of the Pledged Revenue Fund, the Debt Service Fund and the Public Improvements Fund created in the Indenture, and is obligated to enforce the rights of the Issuer and the owners of the Bonds, and to perform other duties, in the manner and under the conditions stated in the Indenture; and it is our further opinion that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer, and that it is a valid and binding agreement of the Issuer enforceable in accordance with its terms and conditions. We are relying upon the opinion of the counsel to the Trustee, to the effect that the Indenture has been duly and lawfully authorized, executed, and delivered by the Trustee, and that the Indenture is valid and binding upon the Trustee in accordance with its terms and conditions.

REINVESTMENT ZONE SIXTEEN has contracted to pay the collected Contract Tax Increments to the Issuer, in accordance with the terms of the Tri-Party Agreement, dated September 1, 2009, by and among the Issuer, the City and Reinvestment Zone Sixteen. We express no opinion as to the Participant Agreements or the Tri-Party Agreement, or as to the validity or enforceability thereof.

THE ISSUER reserves the right, subject to the restrictions stated, and adopted by reference, in the bond resolution, to incur contractual obligations and to issue additional parity revenue bonds in all things on a parity with the Bonds and payable from and equally secured by a first lien on and pledge of the aforesaid Pledged Revenues.

THE OPINIONS HEREINBEFORE EXPRESSED are qualified to the extent that the obligations of the Issuer and the Trustee, and the enforceability thereof, with respect to the Bonds and the Indenture, are subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. 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 Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. We have relied solely on representations by officials of the Issuer and the City as to the availability and sufficiency of the Pledged Revenues, and make no representations regarding the sufficiency of the Pledged Revenues to pay the debt service on the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

Respectfully,