

OFFICIAL STATEMENT DATED OCTOBER 6, 2022

Ratings: Moody's: "Aa2"

S&P: "AA"

Fitch: "AA-"

NEW ISSUE - Book-Entry-Only

(See "OTHER RELEVANT INFORMATION – Ratings" in this document.)

Delivery of the Bonds (as defined below) is subject to the receipt of the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City (defined below), to the effect that, assuming continuing compliance by the City with certain covenants contained in the Forty-Second Supplement (defined below) described in this document, interest on the Bonds will be excludable from gross income for purposes of federal income taxation, subject to the matters described under "TAX MATTERS" in this document, including the alternative minimum tax on certain corporations.



CITY OF AUSTIN, TEXAS

\$295,840,000

**WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS,
SERIES 2022**

Interest to accrue from Date of Initial Delivery

Due: As shown on page ii

The bonds offered in this document are the \$295,840,000 City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2022 (the "Bonds"). The Bonds are to be issued as "Parity Water/Wastewater Obligations" pursuant to an ordinance (the "Master Ordinance") adopted by the City Council of the City of Austin, Texas (the "City"), on June 8, 2000, and a supplemental ordinance adopted by the City Council of the City on September 15, 2022 (the "Forty-Second Supplement"). The Master Ordinance and Forty-Second Supplement together are referred to in this document as the "Bond Ordinance." The Forty-Second Supplement delegated to a designated "Pricing Officer" the authority to effect the sale of the Bonds, subject to the terms of the Forty-Second Supplement. See "INTRODUCTION" in this document. The Master Ordinance contains the terms for the issuance of Parity Water/Wastewater Obligations and the related covenants and security provisions. The City also has outstanding one series of Prior Subordinate Lien Obligations, which are secured by joint and several pledges of the net revenues of both the Water and Wastewater System and the Electric Utility System. The City must comply with the covenants and security provisions related to the Prior Subordinate Lien Obligations while such obligations remain outstanding. The Master Ordinance prohibits the issuance of additional revenue obligations secured by joint and several pledges of the net revenues of both the Water and Wastewater System and the Electric Utility System such as Prior Subordinate Lien Obligations. Commercial Paper Obligations having a combined pledge of Electric Utility System and Water and Wastewater System net revenues may continue to be issued on a subordinate lien basis to the Parity Water/Wastewater Obligations.

The Bonds are special obligations of the City, payable as to both principal and interest solely from and, together with the Previously Issued Parity Water/Wastewater Obligations and Outstanding Prior Subordinate Lien Obligations, equally and ratably secured by a lien on and pledge of the Net Revenues of the Water and Wastewater System, as provided in the Master Ordinance and the Forty-Second Supplement. Additionally, the Bonds and Previously Issued Parity Water/Wastewater Obligations referenced above are equally and ratably secured by a parity lien on the funds, if any, deposited to the credit of the Debt Service Fund (excluding any funds on deposit in the BAB Subsidy Subaccount, which was established for the exclusive benefit of the owners of the City's Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds)). The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the Water and Wastewater System, except with respect to the Net Revenues.

The holders of the Bonds do not have any right to moneys or other Reserve Fund Obligations held in the Reserve Fund. See "SECURITY FOR THE BONDS – Bonds Not Secured by any Debt Service Reserve Fund" in this document.

Neither the taxing power of the City nor the taxing power of the State of Texas (the "State") is pledged as security for the Bonds. See "Security for the Bonds" in this document.

MATURITY SCHEDULE

See "Maturity Schedule" on page ii

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof within a maturity. Interest on the Bonds shall accrue from the Date of Initial Delivery (defined below) of the Bonds and shall be payable on May 15, 2023 and each May 15 and November 15 thereafter until maturity or prior redemption. Interest to be paid on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act initially as securities depository for the Bonds, and individual purchases of the Bonds will be made in book-entry form only. See "DESCRIPTION OF THE BONDS" in this document.

On the date of this Official Statement the City also offered and sold its Water and Wastewater System Revenue Refunding Bonds, Series 2023 (Forward Delivery) by negotiated sale, on a forward delivery basis, pursuant to a separate official statement. See "INTRODUCTION" in this document.

The Bonds are offered for delivery when, as, and if issued and subject, among other things, to the opinions of the Attorney General of Texas and McCall, Parkhurst & Horton L.L.P., Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. (See "APPENDIX E - Form of Bond Counsel's Opinion" in this document.) Certain legal matters will be passed upon for the City by Bracewell LLP, Austin, Texas as Disclosure Counsel for the City, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for delivery through the facilities of DTC on or about October 27, 2022 (the "Date of Initial Delivery").

JEFFERIES

BAIRD

SIEBERT WILLIAMS SHANK & CO., LLC

RAMIREZ & CO., INC.

CITY OF AUSTIN, TEXAS
\$295,840,000
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS,
SERIES 2022

Base CUSIP No. 052477 ⁽¹⁾

MATURITY SCHEDULE

<u>Maturity Date</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix ⁽¹⁾</u>
5/15/2023	6,000,000	5.000	2.920	PD2
11/15/2023	7,725,000	5.000	3.010	PE0
11/15/2024	13,015,000	5.000	3.040	PF7
11/15/2025	10,050,000	5.000	3.080	PG5
11/15/2026	11,075,000	5.000	3.130	PH3
11/15/2027	10,015,000	5.000	3.170	PJ9
11/15/2028	26,530,000	5.000	3.230	PK6
11/15/2029	17,810,000	5.000	3.270	PL4
11/15/2030	22,735,000	5.000	3.310	PM2
11/15/2031	7,830,000	5.000	3.390	PN0
11/15/2032	8,225,000	5.000	3.420	PP5
11/15/2033	8,640,000	5.000	3.500 ⁽²⁾	PQ3
11/15/2034	9,070,000	5.000	3.600 ⁽²⁾	PR1
11/15/2035	9,525,000	5.000	3.750 ⁽²⁾	PS9
11/15/2036	10,000,000	5.000	3.770 ⁽²⁾	PT7
11/15/2037	10,505,000	5.000	3.810 ⁽²⁾	PU4
11/15/2038	11,035,000	5.000	3.880 ⁽²⁾	PV2
11/15/2039	11,585,000	5.000	3.950 ⁽²⁾	PW0
11/15/2040	12,170,000	5.000	4.000 ⁽²⁾	PX8
11/15/2041	12,775,000	5.000	4.050 ⁽²⁾	PY6
11/15/2042	13,420,000	5.000	4.070 ⁽²⁾	PZ3

\$20,185,000 Term Bond due November 15, 2047; Rate 5.000%; Initial Yield 4.200%⁽²⁾, CUSIP 052477QA7 ⁽¹⁾

\$25,920,000 Term Bond due November 15, 2052; Rate 5.000%; Initial Yield 4.290%⁽²⁾, CUSIP 052477QB5 ⁽¹⁾

(Interest to accrue from Date of Initial Delivery)

Redemption of the Bonds

The Bonds will be subject to optional redemption and mandatory sinking fund redemption as described in “DESCRIPTION OF THE BONDS – Optional Redemption of the Bonds” and “– Mandatory Sinking Fund Redemption of the Bonds” in this document.

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- (1) CUSIP numbers have been assigned to the Bonds by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services.
- (2) Initial yield calculated to November 15, 2032, the first optional call date for the Bonds. See “DESCRIPTION OF THE BONDS – Optional Redemption of the Bonds” in this document.

CITY OF AUSTIN

Elected Officials

	<u>Term Expires Jan. 5</u>
Steve Adler	Mayor 2023
Natasha Harper-Madison.....	Councilmember District 1 2023
Vanessa Fuentes.....	Councilmember District 2 2025
Sabino “Pio” Renteria	Councilmember District 3 2023
José “Chito” Vela.....	Councilmember District 4 2025
Ann Kitchen	Councilmember District 5 2023
Mackenzie Kelly	Councilmember District 6 2025
Leslie Pool	Councilmember District 7 2025
Paige Ellis	Councilmember District 8 2023
Kathryne B. Tovo.....	Councilmember District 9 2023
Alison Alter	Councilmember District 10 2025

Appointed Officials

Spencer Cronk	City Manager
Veronica Briseño.....	Assistant City Manager
Gina Fiandaca.....	Assistant City Manager
Ed Van Eenoo.....	Chief Financial Officer
Diana Thomas.....	Deputy Chief Financial Officer
Kimberly Olivares	Deputy Chief Financial Officer
Anne Morgan.....	City Attorney
Myrna Rios	City Clerk

BOND COUNSEL

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

DISCLOSURE COUNSEL FOR THE CITY

Bracewell LLP
Austin, Texas

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Austin, Texas

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Austin, Texas

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SELECTED FINANCIAL INFORMATION

Combined Utility Systems (Electric Utility System and Water and Wastewater System)

The selected financial information below presents selected historical information related to the Combined Utility Systems of the City, which is comprised of the Electric Utility System and the Water and Wastewater System of the City, presented on a combined basis. The financial information for the fiscal years ended September 30, 2018 through September 30, 2021 is derived from the City’s audited financial statements for the respective fiscal years. This information should be read in conjunction with the audited financial statements included in “APPENDIX B – AUDITED FINANCIAL STATEMENTS” in this document.

The historical financial information includes debt service on obligations issued under liens of the Combined Utility Systems that are now closed: the Prior First Lien Obligations (no obligations outstanding as of May 15, 2019) and the Prior Subordinate Lien Obligations (which consist of only one series of outstanding obligations, the Subordinate Lien Revenue Refunding Bonds, Series 1998, or the “1998 Prior Lien Bonds”, with a final maturity of May 15, 2025). These closed prior liens are secured by joint and several pledges of the net revenues of both the Water and Wastewater System and Electric Utility System. While the one remaining series of Prior Subordinate Lien Obligations remains outstanding, the City must comply with the covenants and security provisions relating to such Prior Subordinate Lien Obligations. **The Master Ordinance provides that no additional revenue obligations payable from the same sources and secured in the same manner as the Prior First Lien Obligations and Prior Subordinate Lien Obligations shall be issued.** Commercial Paper Obligations (defined in this document) currently authorized, having a combined pledge of Net Revenues of the Combined Utility Systems, may continue to be issued on a subordinate lien basis to the Parity Water/Wastewater Obligations.

Operating Summary of the Combined Utility Systems

	<u>12 Months Ended 6-30-2022 (2)</u>	Fiscal Year Ended September 30 (\$000’s)			
		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Combined Gross Revenues	\$2,166,041	\$1,844,585	\$1,959,941	\$2,031,435	\$1,998,556
Combined Maintenance and Operating Expenses	<u>1,528,091</u>	<u>1,253,026</u>	<u>1,332,726</u>	<u>1,366,470</u>	<u>1,334,151</u>
Combined Net Revenues	<u>637,950</u>	<u>591,559</u>	<u>627,215</u>	<u>664,965</u>	<u>664,405</u>
Principal and Interest on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	\$ 20,964	\$ 14,962	\$ 21,090	\$ 46,527	\$ 80,433
Debt Service Coverage on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	30.43x	39.54x	29.74x	14.29x	8.26x

(1) Includes only the Prior First Lien Obligations, which were fully paid and discharged on May 15, 2019, and the Prior Subordinate Lien Obligations, which consist of only one series (the 1998 Prior Lien Bonds) and which are the obligations secured by a pledge of the Net Revenues of the Combined Utility Systems.

(2) Preliminary. See “OTHER RELEVANT INFORMATION – Independent Auditors” in this document.

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Water and Wastewater System Only

The selected financial information below presents selected historical information related to the Water and Wastewater System of the City. The financial information for the fiscal years ended September 30, 2018 through September 30, 2021 is derived from the City's audited financial statements for the respective fiscal years. This information should be read in conjunction with the audited financial statements included in "APPENDIX B – AUDITED FINANCIAL STATEMENTS" in this document.

The historical financial information includes debt service on obligations issued under liens of the Combined Utility Systems that are now closed: the Prior First Lien Obligations (no obligations outstanding as of May 15, 2019) and the Prior Subordinate Lien Obligations (which consist of only one series of outstanding obligations, the 1998 Prior Lien Bonds). These closed prior liens are secured by joint and several pledges of the net revenues of both the Water and Wastewater System and Electric Utility System. While the one remaining series of Prior Subordinate Lien Obligations remains outstanding, the City must comply with the covenants and security provisions relating to such Prior Subordinate Lien Obligations. **The Master Ordinance provides that no additional revenue obligations payable from the same sources and secured in the same manner as the Prior First Lien Obligations and Prior Subordinate Lien Obligations shall be issued.** Commercial Paper Obligations currently authorized, having a combined pledge of Net Revenues of the Combined Utility Systems, may continue to be issued on a subordinate lien basis to the Parity Water/Wastewater Obligations.

Operating Summary of the Water and Wastewater System

	Fiscal Year Ended September 30 (\$000's)				
	<u>12-Months Ended 6-30-2022 (3)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross Revenues	\$599,232	\$568,031	\$571,100	\$560,168	\$581,324
Maintenance and Operating Expenses	<u>277,908</u>	<u>272,750</u>	<u>266,060</u>	<u>261,004</u>	<u>250,223</u>
Net Revenues	<u>321,324</u>	<u>295,281</u>	<u>305,040</u>	<u>299,164</u>	<u>331,101</u>
Principal and Interest paid by the Water and Wastewater System on Prior Lien Obligations of the Combined Utility Systems (1)	\$5,404	\$3,856	\$10,038	\$37,392	\$67,829
Net Revenues Available for Parity Water/Wastewater Obligations (2)	<u>\$315,920</u>	<u>\$291,425</u>	<u>\$295,002</u>	<u>\$261,772</u>	<u>\$263,272</u>
Principal and Interest on Parity Water/Wastewater Obligations	\$154,234	\$169,144	\$150,477	\$126,203	\$142,455
Debt Service Coverage Parity Water/Wastewater Obligations (2)	2.05x	1.72x	1.96x	2.07x	1.85x

- (1) Represents the Water and Wastewater System's portion of the Prior First Lien Obligations (which were fully paid and discharged on May 15, 2019), and the Prior Subordinate Lien Obligations, which consist of only one series (the 1998 Prior Lien Bonds) and which are obligations secured by a pledge of the Net Revenues of the Combined Utility Systems.
- (2) The Bonds, the Previously Issued Parity Water/Wastewater Obligations, and any additional Parity Water/Wastewater Obligations issued in the future under the Master Ordinance are (a) "Separate Lien Obligations" under the Prior Subordinate Lien Ordinance (as defined in this document) and (b) equally and ratably secured, together with the Prior Subordinate Lien Obligations, by the Net Revenues of the City's Water and Wastewater System.
- (3) Preliminary. See "PROFORMA DEBT SERVICE REQUIREMENTS OF THE COMBINED UTILITY SYSTEMS" and "OTHER RELEVANT INFORMATION – Independent Auditors" in this document.

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THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED TO THIS OFFICIAL STATEMENT, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

No dealer, broker, salesman or any other person has been authorized by the City or by the underwriters of the Bonds identified on the cover page of this document (the “Underwriters”) to give any information or to make any representations, other than the information and representations contained in this document, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of, any of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion contained in this document are subject to change without notice and neither the delivery of this Official Statement nor any sale made that references this document shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of this document. The delivery of this Official Statement at any time does not imply that the information in this document is correct as to any time subsequent to its date. See “CONTINUING DISCLOSURE OF INFORMATION” in this document for a description of the City’s undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (“SEC”) AND CONSEQUENTLY HAVE NOT BEEN REGISTERED WITH THE SEC. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED FROM REGISTRATION SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE OF THE BONDS.

CUSIP numbers have been assigned to this issue by FactSet Research Systems Inc. and neither the City, PFM Financial Advisors LLC, nor the Underwriters are responsible for the selection or correctness of CUSIP numbers.

The City, PFM Financial Advisors LLC., and the Underwriters do not make any representation regarding the information contained in this Official Statement regarding DTC or its book-entry-only system, as such information has been furnished by DTC. Neither the City nor PFM Financial Advisors LLC make any representations regarding the information concerning the Underwriters contained in this document in “OTHER RELEVANT INFORMATION – Underwriting.”

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

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 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.

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

NEITHER THE SEC 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.

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OFFICIAL STATEMENT

Relating to

CITY OF AUSTIN, TEXAS
\$295,840,000
WATER AND WASTEWATER SYSTEM REVENUE
REFUNDING BONDS,
SERIES 2022

INTRODUCTION

This Official Statement, which includes the cover page and the appendices, is being furnished in connection with the proposed issuance by the City of Austin, Texas (the “City”), of its \$295,840,000 City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2022 (the “Bonds”). The Bonds are authorized to be issued pursuant to the authority conferred by the laws of the State of Texas (the “State”), an ordinance adopted by the City Council of the City on June 8, 2000 (the “Master Ordinance”) providing the terms upon which Parity Water/Wastewater Obligations (as defined in the Master Ordinance) are to be issued and the covenants and security provisions related thereto, and a supplemental ordinance adopted by the City Council of the City on September 15, 2022 (the “Forty-Second Supplement”). The Master Ordinance and the Forty-Second Supplement are collectively referred to in this document as the “Bond Ordinance.” The Forty-Second Supplement delegated to a designated “Pricing Officer” the authority to effect the sale of the Bonds, subject to the terms of the Forty-Second Supplement. **Capitalized terms not otherwise defined in this document have the meanings assigned in the Bond Ordinance or the Prior Subordinate Lien Ordinance (defined in this document), as applicable (see APPENDICES C and D in this document).**

The City is not permitted to issue any additional Prior Subordinate Lien Obligations, but must comply with the covenants contained in the bond ordinances authorizing the issuance of such obligations (the “Prior Subordinate Lien Ordinance”) while such obligations are outstanding. The outstanding Prior Subordinate Lien Obligations have a final stated maturity date of May 15, 2025. A copy of the Master Ordinance is attached to this document as APPENDIX C, and a summary of certain provisions of the Prior Subordinate Lien Ordinance is attached to this document as APPENDIX D. All descriptions of documents contained in this document are only summaries and are qualified in their entirety by reference to each such document.

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

The City has issued, and there currently remain outstanding, one series of Prior Subordinate Lien Obligations and Commercial Paper Obligations secured by a joint and several pledge of the net revenues of the City’s Water and Wastewater System and the Electric Utility System. Pursuant to the Master Ordinance, no additional Prior Subordinate Lien Obligations may be issued. There are no Prior First Lien Obligations outstanding and no additional Prior First Lien Obligations may be issued. Commercial Paper Obligations having a combined pledge of Water and Wastewater System and Electric Utility System net revenues may continue to be issued on a subordinate lien basis to the Parity Water/Wastewater Obligations. As noted under “DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES” in this document, the City has \$50,290,000 of Prior Subordinate Lien Obligations outstanding, consisting solely of the Subordinate Lien Revenue Refunding Bonds, Series 1998 (the “1998 Prior Lien Bonds”), with maturities extending through May 15, 2025. No assurances can be given as to when or if such obligations will be defeased or paid prior to their stated maturity. See “DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES” in this document.

The Bonds, the Previously Issued Parity Water/Wastewater Obligations and any additional Parity Water/Wastewater Obligations issued in the future under the Master Ordinance are equally and ratably secured, together with the Prior Subordinate Lien Obligations, by the Net Revenues of the City’s Water and Wastewater System. See “SECURITY FOR THE BONDS – Pledges of Net Revenues” in this document.

On the date of this Official Statement the City executed a forward delivery bond purchase agreement (the “Forward Delivery Purchase Agreement”) with the underwriters named therein effecting the sale of its Water and Wastewater System Revenue

Refunding Bonds, Series 2023 (Forward Delivery) in the aggregate principal amount of \$143,770,000 (the “2023 Bonds”). The 2023 Bonds were offered for sale on a forward delivery basis pursuant to a separate official statement, which, if issued, will constitute Parity Water/Wastewater Obligations and are anticipated to be delivered through the facilities of DTC in New York, New York on or about February 15, 2023. The proceeds of the 2023 Bonds, if issued, together with other lawfully available funds of the City, will be used for the purpose of (i) refunding for savings certain outstanding Parity Water/Wastewater Obligations (consisting of the City’s Water and Wastewater System Revenue Refunding Bonds, Series 2013A maturing on November 15 in the years 2028 through 2033, inclusive, and on November 15 in each of the years 2038 and 2043, in the aggregate principal amount of \$152,590,000) and (ii) paying the costs of issuance of the 2023 Bonds. The forward delivery of the 2023 Bonds will be subject to the satisfaction of certain terms and conditions set forth in the Forward Delivery Purchase Agreement. **No assurances can be provided that the 2023 Bonds will be issued.** The issuance and forward delivery of the 2023 Bonds will not be contingent upon the issuance and delivery of the Bonds.

At such time as the Prior Subordinate Lien Obligations have been fully paid or discharged in a manner that such obligations are no longer deemed to be outstanding under the terms of the ordinance authorizing their issuance and by law, all revenue obligations secured by a pledge of Net Revenues of the Water and Wastewater System either shall be Parity Water/Wastewater Obligations or obligations subordinate to the Parity Water/Wastewater Obligations (such as the Commercial Paper Obligations) and shall be payable only from and secured only by a lien on a pledge of the Net Revenues of the Water and Wastewater System and the revenues deposited to the credit of the accounts and funds maintained in the ordinances providing for their issuance. The Master Ordinance governs the issuance of Parity Water/Wastewater Obligations and contains covenants and security provisions related thereto. The City must comply with the Prior Subordinate Lien Ordinance while the Prior Subordinate Lien Obligations remain outstanding. No assurances can be given as to when or if such obligations will be defeased or paid prior to their stated maturities so as to allow the Parity Water/Wastewater Obligations (including the Bonds) to be secured by and payable from an effective first lien on the Net Revenues of the Water and Wastewater System. See “SECURITY FOR THE BONDS – Credit Agreements – 2008 Variable Rate Bonds” in this document for a discussion of the treatment of the City’s obligations under an interest rate swap agreement as a Parity Water/Wastewater Obligation. See also, “PLAN OF FINANCING – Termination of 2008 Credit Agreements” in this document.

The City has also issued revenue obligations secured solely by the net revenues of the Electric Utility System pursuant to a master ordinance, the terms and provisions of which differ substantially from those of the Master Ordinance.

COVID-19 PANDEMIC

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19; however, the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Financial Impact of the COVID-19 Pandemic on Austin Water

The water and wastewater system that is owned and operated by the City (referred to in this document as “Austin Water,” “Austin Water Utility” or “Water and Wastewater System”) maintained a strong financial condition during the COVID-19 pandemic and its operations and capital spending plans were not materially impacted due to the COVID-19 pandemic. In August 2022, the City Council approved the City’s budget for the fiscal year ending September 30, 2023 (“FY 2023”) budget which includes an increase in service revenues of \$25 million over the fiscal year ending September 30, 2022 (“FY 2022”) approved amended budget, with such revenue increase attributable to customer growth. The Water and Wastewater service revenue budget was estimated to be at \$599 million for FY 2023. As described further below, Austin Water instituted temporary rate reductions and provided other forms of financial assistance in fiscal years 2020, 2021, 2022 and for fiscal year 2023 to assist ratepayers affected by the COVID-19 pandemic. Even with these temporary rate reductions, Austin Water currently projects that it will continue to maintain reserves and a debt service coverage ratio that is consistent with its financial policies, which, as recently amended, requires 180 days cash on hand and 1.75x debt service coverage, respectively. The COVID-19 pandemic has not had a significant effect on Austin Water’s construction activities and capital improvement plans. Austin Water is working with the City’s Homeland Emergency Security Management department on potential Federal Emergency Management Agency (“FEMA”) reimbursements for COVID-19 response-related expenses estimated to be \$4.3 million. Austin Water has no dependence on receipt of FEMA funding for meeting any of its financial obligations.

In response to the economic impact of COVID-19, the City Council of the City approved rate reductions for certain customer classes, which took effect April 9, 2020: a 10% rate reduction of tiers 1, 2 and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates. The rate reductions applied to customer rates in the residential Customer Assistance Program (“CAP”) – a program that provides for lower rates for residents on low or fixed incomes – and customer rates for residential Non-CAP rates. These temporary rates were effective through October 31, 2020, after which the non-CAP rates returned to the normal rate schedule (as adopted by the City on November 1, 2019) while the 10% rate reduction for CAP Customers was extended through fiscal year 2023 (September 30, 2023).

Austin Water provided an additional \$5 million contribution to the Emergency Financial Assistance Plus 1 program in FY 2020 and FY 2021 for a combined \$10 million. Other methods for assistance included additional measures to halt disconnections for non-payment, waived late fees, and payment arrangements for customers in need. Disconnections were halted in April 2020 due to COVID-19 but resumed on July 16, 2021 with a phased-in approach. Overall, Austin Water experienced an increase of approximately \$2 million in delinquent accounts receivable balances due to COVID-19. In advance of and since disconnections resumed, City of Austin Utilities has been working with customers to bring account balances current. As a result, Austin Water has seen an increase in payment arrangement balances and a decrease in delinquent balances as compared to September 2020 balances.

In April 2021, Austin Water implemented a Multifamily CAP program for low-income customers who do not have a dedicated water meter, but nevertheless, receive water and wastewater service from Austin Water. This program provides a \$17 monthly credit on their Austin Energy (defined in this document under the caption “THE SYSTEMS”) utility bill, shown as Austin Water Multi-Family CAP Program Discount. The Multifamily CAP program offers a safety net to thousands of vulnerable customers who have traditionally been ineligible for Austin Water financial assistance through the residential Customer Assistance Program because they are not directly billed for water and wastewater service.

TEXAS 2021 WINTER WEATHER EVENT

General

From February 14, 2021 through February 19, 2021, much of the continental United States, including Texas, experienced a severe winter storm resulting from the southern migration of a polar vortex that meteorologists characterize as the most significant in terms of scope and duration since monitoring of these weather phenomena began in the 1950s (such winter storm, the “2021 Weather Event”). As a result of the 2021 Weather Event, Texas experienced statewide, record breaking cold weather. Temperatures in Austin remained below freezing for 162 consecutive hours, with a low temperature of 7 degrees recorded on February 16, 2021. As the 2021 Weather Event covered the State, the Electric Reliability Council of Texas (“ERCOT”) implemented what were initially expected to be rolling blackouts to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of 2021 Weather Event and the corresponding increase in demand on the Texas electric grid, combined with limited availability of generation, widespread and prolonged power outages began at 1:00 a.m., Central time, on Monday, February 15, 2021, and continued throughout the week. Ultimately, approximately 4,000,000 Texas residents were without power for significant stretches of the week.

Impact of 2021 Weather Event on Austin Water

The extreme weather conditions experienced during the 2021 Weather Event, coupled with widespread power outages in Texas, caused significant disruption to water service, ultimately resulting in widespread water outages and a City-wide Boil Water Notice.

On February 15 and 16, dropping temperatures continued to affect public infrastructure and private buildings, and Austin Water began to receive reports of pipe breaks. Water demand across the Austin Water service area increased from approximately 150 million gallons per day (MGD) on February 15 to a peak hourly demand of 260 MGD in the evening of February 16. Storage levels began to deplete in Southwest Austin, and conditions rapidly changed during the overnight hours of February 16. A Boil Water Notice was issued for Southwest Austin on the morning of February 17 because pressure in that portion of the distribution system dropped below the regulatory requirement. There was no indication of system-wide loss of service at that time. On February 17, water demand continued to rise to a peak hourly demand of 330 MGD, more than double levels observed in February 2020. In the early afternoon, the Ullrich Water Treatment Plant experienced a disruption to both of the electric feeds to the plant. The electrical outage was restored and plant systems were systemically restarted, restoring treatment capacity within approximately 11 hours. With the temporary reduction of water production, coupled with the extremely high water demands, system storage was depleted resulting in widespread water outages. Due

to pressure dropping below the regulatory requirement, a Boil Water Notice was issued for all Austin Water customers during the evening of February 17.

System recovery efforts were focused on reducing water consumption and repairing leaks to replenish storage capacity and re-pressurize the distribution system. Initial efforts focused on restoring water to hospitals and other critical customers by isolating key transmission mains. Pressure was gradually restored to the distribution system, and the Boil Water Notice was lifted in phases throughout February 22 and 23.

Despite the significant operational impacts from the 2021 Weather Event, Austin Water experienced minimal financial impacts with \$5 million of emergency response costs and \$1.2 million in property damage.

Subsequent Event

In February 2022, a City-wide Boil Water Notice was issued due to an internal treatment process issue that resulted in high turbidity at the Ullrich Water Treatment Plant. Austin Water incurred \$0.8 million in expenses for bottled water distribution and there was no significant financial impact.

Impact of 2021 Weather Event on Austin Energy

Austin Energy generation assets largely stayed online during the 2021 Weather Event. Combined with ERCOT-mandated load sheds, this resulted in Austin Energy generation output exceeding its customers' usage. Austin Energy was able to more than fully offset the unprecedented high gas prices and costs to serve its customers with corresponding revenues from the generation fleet. Austin Energy is in a net positive financial position from the effects of the 2021 Weather Event. Austin Energy estimates that over the course of the 2021 Weather Event, it accumulated positive net revenue of \$101 million.

Legislative Response

On June 8, 2021, the Governor signed Senate Bill 3 ("SB 3") to address the issues that arose during the 2021 Weather Event. SB 3 requires weather emergency preparedness and the identification of critical facilities in the natural gas supply chain and electric utilities. The bill makes several changes to the ERCOT market and how municipally owned utilities ("MOUs") will operate. Moreover, the bill expands the Public Utility Commission of Texas ("PUCT") oversight over MOUs, particularly regarding customer communications during emergencies, weatherization requirements, and the allocation of load shed responsibilities. The bill does not affect an MOU's ability to set rates nor its obligation to serve its certificated service territory. Additionally, SB 3 includes provisions that could affect wholesale energy costs and operations. The bill requires the PUCT to instruct ERCOT to establish requirements to meet the reliability needs of the power region and determine the quantity and characteristics of ancillary or reliability services needed to maintain reliability during periods of low non-dispatchable generation. It also instructs ERCOT to procure ancillary or reliability services on a competitive basis during those periods of low non-dispatchable generation with appropriate qualification and performance requirements. The bill requires the PUCT to implement an emergency wholesale pricing mechanism regarding the system-wide offer cap, to take effect if the high cap is in place for 12 hours in a 24-hour period, as well as an associated ancillary services cap. The bill requires the PUCT to allow generators to be reimbursed for reasonable and verifiable operating costs, even if those costs exceed the relevant cap. The PUCT is required to review each cap at least once every five years, with the first review by December 31, 2021. Austin Energy is engaged in all associated rulemakings to implement the legislation.

The 2021 Weather Event created significant financial impacts for many ERCOT market participants. In response, the Texas Legislature passed House Bill 4492, which creates two securitization processes to be repaid through a ratepayer surcharge over a period of up to 30 years. In both processes, the PUCT issued and approved a debt obligation on October 14, 2021. The first securitization mechanism is addressed in Public Utility Regulatory Act ("PURA") Chapter 39, Subchapter M and considered in PUCT Docket 52321, and covers amounts owed to ERCOT by wholesale market participants that would have been otherwise uplifted due to short pays and replenished financial auction receipts used by ERCOT to reduce amounts that were short paid to market participants and reasonable costs incurred to implement a debt obligation order. The legislation set a cap at \$800 million dollars. As a short-paid market participant, Austin Energy is included in this process. The second securitization mechanism is addressed in PURA Chapter 39, Subchapter N and considered in PUCT Docket 52322. This provision covers Reliability Deployment Price Adder charges and Ancillary Services costs above the system-wide offer cap during the 32-hour period between February 15 and February 19, 2021. This excludes any amounts securitized under PURA Chapter 41 for cooperative securitization and any amounts from defaulted entities that are no longer ERCOT market participants. This amount totals \$2.1 billion plus reasonable costs. There was a one-time opt out available for this docket and Austin Energy successfully opted out because it has paid in full all invoices owed to ERCOT. Therefore, Austin Energy customers will not be subject to the payment of any securitized amounts in this docket.

SB 3 also created Section 13.1394 of the Texas Water Code (“Section 13.1394”) which requires a water utility to ensure the emergency operation of its water system during a power outage that lasts longer than 24 hours at a minimum pressure of 20 pounds per square inch, or at a water pressure level approved by the Texas Commission on Environmental Quality (the “TCEQ”), as soon as safe and practicable following the occurrence of a natural disaster. Section 13.1394 also requires that a water utility adopt and submit an emergency preparedness plan (“EPP”) to the TCEQ for its approval that includes a timeline for implementing the plan. The submitted plan must provide for one, or a combination, of fourteen options and approaches to provide services as required by Section 13.1394. The options provided include but are not limited to auxiliary generators; on-site power generation; designation of the water system as a critical load facility or redundant, isolated or dedicated electrical feeds; water storage capabilities; the ability to provide water through artesian flows; redundant interconnectivity between pressure zones; emergency water demand rules to maintain emergency operations and any other alternative determined by the TCEQ to be acceptable.

Water utilities were required to submit their EPP to the TCEQ by March 1, 2022. Implementation of emergency plans are required to begin by the later of July 1, 2022, or upon final approval by the TCEQ. A utility may submit a written request for an extension not to exceed 90 days. Austin Water met all compliance deadlines for submissions required by SB 3. Required information was submitted to the PUCT, Austin Water’s electrical providers, and other government entities on October 20, 2021, ahead of the November 1, 2021 deadline. The EPP and implementation timeline for the City’s water system were completed and submitted to TCEQ on March 1, 2022, meeting the SB 3 deadline.

SB 3 also created Section 13.151 of the Texas Water Code (“Section 13.151”) which addresses billing for services provided during an extreme weather emergency. Section 13.151 defines an “extreme weather emergency” as a period when the previous day’s highest temperature did not exceed 28 degrees Fahrenheit, and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Service reports. In these circumstances a retail public utility that operates under a certificate of public convenience and necessity is prohibited from imposing late fees or disconnecting service for nonpayment of bills that are due during an extreme weather emergency until after the emergency is over. The utility is also required to work with customers that request to establish a payment schedule for unpaid bills that are due during the extreme weather emergency. Section 13.414 of the Texas Water Code was amended by SB 3 to provide that a violation of Section 13.151 is subject to a civil penalty of not less than \$100 nor more than \$50,000 for each violation.

PLAN OF FINANCING

General

The proceeds of the Bonds, together with other lawfully available funds of the City, will be used for the purpose of (i) refunding outstanding tax-exempt commercial paper notes issued for the Water and Wastewater System (the “Refunded Notes”), (ii) refunding certain outstanding Parity Water/Wastewater Obligations (the “Refunded Bonds” as more specifically described in “SCHEDULE I – SUMMARY OF REFUNDED BONDS”), (iii) funding a swap termination payment in connection with the refunding of a portion of the Refunded Bonds, and (iv) paying costs of issuance incurred in connection with the issuance of the Bonds. The refunding of the Refunded Bonds is contingent upon the delivery of the Bonds.

Refunding of Outstanding Commercial Paper Notes

The Bonds are being issued in part to refund \$90,000,000 in aggregate principal amount of the Refunded Notes. The issuance of the Bonds will restore a portion of the City’s available capacity under its \$400,000,000 tax-exempt commercial paper note program that has been established for the Combined Utility Systems (as described further in “COMMERCIAL PAPER NOTE PROGRAMS” in this document). Any interest on the Refunded Notes is expected to be paid from available revenues of the Water and Wastewater System.

Proceeds from the sale of the Bonds, together with other available funds of the City, will be deposited with U.S. Bank Trust Company, National Association, New York, New York, the issuing and paying agent for the Refunded Notes (the “CP Issuing and Paying Agent”) in the amount necessary to accomplish the discharge, defeasance and final payment of the Refunded Notes in accordance with the terms of the ordinance authorizing the issuance thereof. The principal of and interest on all of the Refunded Notes will be paid on the date of delivery of the Bonds, which is the scheduled maturity date of the Refunded Notes, from amounts deposited with the CP Issuing and Paying Agent.

Refunded Bonds

The Refunded Bonds, and interest due on the Refunded Bonds, are to be paid on their scheduled interest payment dates and the maturity or redemption dates of such Refunded Bonds from funds to be deposited pursuant to an Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank Trust Company, National Association, Dallas, Texas (the "Escrow Agent"). The Forty-Second Supplement provides that a portion of the proceeds of the sale of the Bonds, together with other lawfully available funds of the City, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, including direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, and noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities") to be held in the Escrow Fund. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Robert Thomas, CPA, LLC (the "Verification Agent"), a nationally recognized accounting firm, will verify at the time of delivery of the Bonds the mathematical accuracy of the schedules that demonstrate that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities, and other uninvested funds in the Escrow Fund will not be available to pay the debt service on the Bonds. See "OTHER RELEVANT INFORMATION – Verification of Arithmetical and Mathematical Calculations" in this document.

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have entered into firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds, in accordance with applicable law. As a result of such firm banking and financial arrangements, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed outstanding for the purpose of any limitation on debt or the pledge of Net Revenues.

Termination of 2008 Credit Agreements

The Refunded Bonds include the City's outstanding Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008, originally issued in the aggregate principal amount of \$170,605,000 and delivered on May 15, 2008 (the "2008 Variable Rate Bonds"), which are variable rate demand obligations currently outstanding in the principal amount of \$93,500,000. The 2008 Variable Rate Bonds have been and currently are benefited by a direct pay letter of credit (the "Letter of Credit"), most recently delivered pursuant to a Letter of Credit Reimbursement Agreement between the City and Barclays Bank PLC (the "Reimbursement Agreement"). By its terms, the Letter of Credit is scheduled to expire on December 10, 2022. In addition, in conjunction with the delivery of the 2008 Variable Rate Bonds, the City entered into an Interest Rate Management Agreement (the "Swap Agreement") with Goldman Sachs Capital Markets, L.P. ("Goldman"), pursuant to which the City is obligated to make payments to Goldman calculated on a notional amount equal to the scheduled outstanding principal amount of the 2008 Variable Rate Bonds and a fixed interest rate of 3.60% per annum and Goldman is obligated to make reciprocal payments to the City calculated on a notional amount equal to the scheduled outstanding principal amount of the 2008 Variable Rate Bonds and a variable rate equal to the SIFMA index for obligations having a maturity of 2031. Upon the refunding and defeasance of the 2008 Variable Rate Bonds, the Letter of Credit will terminate and will no longer be in effect. In connection with the refunding of the 2008 Variable Rate Bonds, the City has determined that it will terminate the Swap Agreement. On the date of the delivery of the Bonds, lawfully available funds of the Water and Wastewater System will be used by the City to pay to Goldman the Termination Payment in the amount of \$3,165,000 incurred in connection with the termination of the Swap Agreement. The amount of the Termination Payment was determined in accordance with the terms of a confirmation executed by Goldman and the City pursuant to the original terms of the Swap Agreement. See "SOURCES AND USES OF FUNDS" in this document. Upon the payment of the Termination Payment, the City will have no further obligations under the Swap Agreement. See "SECURITY FOR THE BONDS – Credit Agreements – 2008 Variable Rate Bonds" in this document.

SOURCES AND USES OF FUNDS

The sources and uses of funds for the Bonds, together with funds contributed by the City, are as follows.

Sources of Funds:

Par Amount of the Bonds	\$ 295,840,000.00
Original Issue Premium	25,203,455.45
Contribution from Refunded Bonds' Debt Service Account	3,692,981.25
Contribution from Refunded Bonds' Debt Service Reserve Fund	<u>15,071,146.00</u>
Total	\$ <u>339,807,582.70</u>

Uses of Funds:

Refunding of Commercial Paper Notes	\$ 90,000,000.00
Deposit to Escrow Fund for Refunded Bonds	244,858,725.94
Swap Termination Payment	3,165,000.00
Costs of Issuance (1)	797,452.64
Underwriters' Discount	<u>986,404.12</u>
Total	\$ <u>339,807,582.70</u>

- (1) Costs of Issuance includes the fees of bond counsel, disclosure counsel, financial advisor, rating agencies, the Paying Agent/Registrar, escrow and verification agents and certain other bond issuance costs.

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DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES

<u>Combined Utility Systems Obligations</u> (a)	
Prior Subordinate Lien Obligations	\$50,290,000
<u>Parity Electric Utility Obligations</u> (b)	\$1,776,850,000
<u>Parity Water/Wastewater Obligations</u> (c)	\$2,261,520,000
<u>Commercial Paper and Direct Purchase Notes</u> (d)	\$170,500,000
<u>General Obligation Bonds</u> (e)	\$1,543,506
<u>Assumed Municipal Utility District Obligations</u> (f)	<u>\$2,352,735</u>
 TOTAL	 \$4,263,056,241

See "SECURITY FOR THE BONDS" in this document.

- (a) Prior First Lien Obligations issued by the City were fully paid and discharged on May 15, 2019. The Prior Subordinate Lien Obligations consist of only the 1998 Prior Lien Bonds.
- (b) The Parity Electric Utility Obligations are payable from the net revenues of the Electric Utility System only.
- (c) Includes the Bonds, the 2023 Bonds, and \$50.93 million in aggregate principal amount of Parity Water/Wastewater Obligations anticipated to be issued and purchased by the TWDB (as defined in this document) on or about November 17, 2022, as further described in "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Future Capital Improvements for Water and Wastewater System" in this document. Excludes the Refunded Bonds and the Parity Water/Wastewater Obligations that are anticipated to be refunded for savings with proceeds of the 2023 Bonds. See "INTRODUCTION" in this document.
- (d) Excludes the amounts being refunded by the Bonds. See "PLAN OF FINANCING," "COMMERCIAL PAPER NOTE PROGRAMS" and "SECURITY FOR THE BONDS" in this document.
- (e) General Obligation Bonds include certain Contractual Obligations and Public Improvement Bonds of the City that are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Electric Utility System and Water and Wastewater System. See "THE CITY – Recent Annexations."
- (f) Such bonds are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Water and Wastewater System. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Services Financed by Utility Districts."

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PRO FORMA DEBT SERVICE REQUIREMENTS OF THE COMBINED UTILITY SYSTEMS

Separate Lien Water & Wastewater Obligations (a)

Fiscal Year Ending 9/30	Prior Subordinate Lien Obligations (b)	Existing Separate Lien Water & Wastewater Obligations (c)	The Series 2022 Bonds		The Series 2023 Bonds		Total Separate Lien Water & Wastewater Obligations (c)	Electric Utility System Parity Obligations (d)	GO Bonds & Assumed MUD Obligations (e)	Total Debt Service Payable from Revenues of the Combined Utility Systems
			Principal	Interest	Principal	Interest				
2023	\$ 19,950,225	\$ 155,203,720	\$ 6,000,000	\$ 8,135,600	\$ -	\$ 1,797,125	\$ 171,136,445	\$ 141,914,553	\$ 1,153,566	\$ 334,154,789
2024	19,666,450	136,127,138	7,725,000	14,298,875	-	7,188,500	165,339,513	147,375,324	999,709	333,380,996
2025	15,834,863	162,418,572	13,015,000	13,780,375	-	7,188,500	196,402,447	151,228,124	808,165	364,273,599
2026	-	163,524,530	10,050,000	13,203,750	-	7,188,500	193,966,780	153,765,252	741,370	348,473,401
2027	-	169,350,753	11,075,000	12,675,625	-	7,188,500	200,289,878	165,718,653	138,385	366,146,916
2028	-	175,770,648	10,015,000	12,148,375	-	7,188,500	205,122,523	161,874,357	133,285	367,130,165
2029	-	136,355,532	26,530,000	11,234,750	16,165,000	6,784,375	197,069,657	155,138,454	139,878	352,347,988
2030	-	141,981,978	17,810,000	10,126,250	16,985,000	5,955,625	192,858,853	141,641,601	139,743	334,640,197
2031	-	113,157,757	22,735,000	9,112,625	5,595,000	5,391,125	155,991,507	141,466,710	137,753	297,595,970
2032	-	113,109,304	7,830,000	8,348,500	5,880,000	5,104,250	140,272,054	132,953,456	32,976	273,258,486
2033	-	113,146,384	8,225,000	7,947,125	6,185,000	4,802,625	140,306,134	93,636,445	3,131	233,945,710
2034	-	113,100,785	8,640,000	7,525,500	6,500,000	4,485,500	140,251,785	90,200,377	-	230,452,161
2035	-	112,918,118	9,070,000	7,082,750	6,830,000	4,152,250	140,053,118	90,042,064	-	230,095,182
2036	-	112,232,091	9,525,000	6,617,875	7,180,000	3,802,000	139,356,966	90,021,695	-	229,378,661
2037	-	110,152,292	10,000,000	6,129,750	7,550,000	3,433,750	137,265,792	89,787,337	-	227,053,129
2038	-	98,129,437	10,505,000	5,617,125	7,940,000	3,046,500	125,238,062	89,650,762	-	214,888,824
2039	-	88,062,232	11,035,000	5,078,625	8,345,000	2,639,375	115,160,232	88,415,444	-	203,575,676
2040	-	87,636,018	11,585,000	4,513,125	8,775,000	2,211,375	114,720,518	64,632,865	-	179,353,382
2041	-	75,191,258	12,170,000	3,919,250	9,225,000	1,761,375	102,266,883	64,493,755	-	166,760,638
2042	-	64,072,419	12,775,000	3,295,625	9,700,000	1,288,250	91,131,294	64,319,830	-	155,451,124
2043	-	53,396,156	13,420,000	2,640,750	10,195,000	790,875	80,442,781	61,704,919	-	142,147,699
2044	-	52,210,162	3,645,000	2,214,125	10,720,000	268,000	69,057,287	62,792,933	-	131,850,221
2045	-	39,738,715	3,830,000	2,027,250	-	-	45,595,965	62,412,945	-	108,008,910
2046	-	39,722,679	4,025,000	1,830,875	-	-	45,578,554	62,489,239	-	108,067,793
2047	-	28,209,239	4,235,000	1,624,375	-	-	34,068,614	33,372,937	-	67,441,551
2048	-	21,109,296	4,450,000	1,407,250	-	-	26,966,546	33,372,789	-	60,339,335
2049	-	21,106,176	4,680,000	1,179,000	-	-	26,965,176	33,380,615	-	60,345,791
2050	-	21,119,341	4,920,000	939,000	-	-	26,978,341	33,378,449	-	60,356,790
2051	-	20,583,814	5,170,000	686,750	-	-	26,440,564	15,042,892	-	41,483,456
2052	-	8,593,441	5,435,000	421,625	-	-	14,450,066	-	-	14,450,066
2053	-	1,529,518	5,715,000	142,875	-	-	7,387,393	-	-	7,387,393
Total	\$ 55,451,538	\$ 2,748,959,501	\$ 295,840,000	\$ 185,905,350	\$ 143,770,000	\$ 93,656,875	\$ 3,468,131,726	\$ 2,716,224,776	\$ 4,427,960	\$ 6,244,236,000

- (a) Existing debt service shown (i) excludes debt service on Commercial Paper Obligations, the Refunded Bonds, and the Parity Water/Wastewater Obligations that are anticipated to be refunded for savings with proceeds of the 2023 Bonds, and (ii) includes debt service on \$50.93 million in aggregate principal amount of Parity Water/Wastewater Obligations that are anticipated to be issued by the City and purchased by the TWDB on November 17, 2022, as further described in "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Future Capital Improvements for Water and Wastewater System" in this document. This table includes debt service on the Bonds and the 2023 Bonds (with an anticipated delivery date of February 15, 2023). See "INTRODUCTION" in this document. See "INTRODUCTION" in this document.
- (b) Prior Subordinate Lien Obligations are payable from Net Revenues of the Combined Utility Systems. Approximately 25.8% of debt service for the Prior Subordinate Lien Obligations is paid from revenues of Austin Water and 74.2% is paid from revenues of Austin Energy.
- (c) Separate Lien Water and Wastewater Obligations are secured by and payable solely from Net Revenues of the Water and Wastewater System.
- (d) Parity Electric Utility Obligations are secured by and payable from Net Revenues of the Electric Utility System.
- (e) Assumed municipal utility district ("MUD") obligations and General Obligation bonds are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Water and Wastewater System.

SECURITY FOR THE BONDS

Pledges of Net Revenues

Prior Subordinate Lien Obligations . . . The Net Revenues of the Combined Utility Systems have been pledged, jointly and severally, on a first lien basis to the payment and security of the Prior Subordinate Lien Obligations. In the ordinances authorizing the issuance of the Prior Subordinate Lien Obligations, the City retained the right to issue “Separate Lien Obligations,” which are defined as obligations payable solely from the Net Revenues of either the Electric Utility System or the Water and Wastewater System, but not both, and such payments for their retirement by the terms of the ordinance authorizing their issuance are secured solely by a lien on and pledge of the Net Revenues of the Electric Utility System or the Net Revenues of the Water and Wastewater System, but not both. The pledge of the Net Revenues of the Electric Utility System and the pledge of the Net Revenues of the Water and Wastewater System to the related Separate Lien Obligations are of equal dignity with the lien on and pledge of these Net Revenues of the Combined Utility Systems securing the payment of the Prior Subordinate Lien Obligations.

As of the date of this document, there is \$50,290,000 in aggregate principal amount of Prior Subordinate Lien Obligations outstanding which consist of only one series (the 1998 Prior Lien Bonds), with the final maturity of the outstanding Prior Subordinate Lien Obligations occurring on May 15, 2025. No additional Prior Subordinate Lien Obligations can be issued by the City. See “SECURITY FOR THE BONDS – Issuance of Additional Prior Subordinate Lien Bonds Precluded” below. There are no Prior First Lien Obligations outstanding and no additional Prior First Lien Obligations can be issued by the City.

Parity Water/Wastewater Obligations . . . The Bonds are to be issued as Parity Water/Wastewater Obligations for the benefit of the City’s Water and Wastewater System. Outstanding Parity Water/Wastewater Obligations include the obligations incurred by the City under credit agreements executed in support of the 2008 Variable Rate Bonds issued as Parity Water/Wastewater Obligations, and such credit agreements shall be terminated upon delivery of the Bonds and refunding of the 2008 Variable Rate Bonds. See “PLAN OF FINANCING – Termination of 2008 Credit Agreements” and “SECURITY FOR THE BONDS – Credit Agreements – 2008 Variable Rate Bonds” in this document. The Master Ordinance and the Forty-Second Supplement pledge the Net Revenues of the Water and Wastewater System to the payment of the “Parity Water/Wastewater Obligations” (which consist of the Previously Issued Parity Water/Wastewater Obligations, the Bonds, and additional parity obligations issued and to be issued under the Master Ordinance). The Parity Water/Wastewater Obligations, together with the Prior Subordinate Lien Obligations, are equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water and Wastewater System.

Additionally, the Bonds and Previously Issued Parity Water/Wastewater Obligations are, and future Parity Water/Wastewater Obligations may be, equally and ratably secured by a parity lien on the funds, if any, deposited to the credit of the Debt Service Fund and, if applicable, any special fund or funds created and maintained for the payment and security of the Parity Water/Wastewater Obligations pursuant to any Supplemental Ordinance (excluding any funds on deposit in the BAB Subsidy Subaccount, which was established for the exclusive benefit of the owners of the City’s Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds) (the “Taxable Series 2010B Bonds”) issued as Parity Water/Wastewater Obligations), and funds on deposit in any construction fund maintained and established with the proceeds of the sale of Parity Water/Wastewater Obligations pending expenditure in accordance with the terms of the Master Ordinance and any Supplemental Ordinance.

Pursuant to the terms of the Master Ordinance, any additional obligations payable from and secured by a lien on the Net Revenues of the Water and Wastewater System must satisfy the covenants with respect thereto in the Master Ordinance.

Federal Subsidy on Build America Bonds . . . Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act, 2 U.S.C. 901a, as amended, certain automatic reductions took place as of March 1, 2013. The required reductions included a reduction to refundable credits under section 6341 of the Internal Revenue Code applicable to certain qualified bonds, including Build America Bonds. The sequester reduction applied to any section 6431 amounts claimed by an issuer on any Form 8038-CP filed with the U.S. Treasury that results in a payment to such issuer on or after March 1, 2013. Since October 1, 2013, direct pay bond subsidy payments processed from and after October 1, 2013 have been reduced by a sequestration rate that is determined at the beginning of each federal fiscal year, which is the 12-month period from October 1 to September 30. **The sequestration rate for federal fiscal year 2022 was 5.7% and is anticipated to be 5.7% for federal fiscal year 2023. Without Congressional action, however, under the current federal budget process the sequestration rate beginning in federal fiscal year 2023 could increase to as much as 100%.** For future federal fiscal years, the sequestration rate will be set from time to time in the future, unless Congress takes additional action to change or

eliminate the sequestration percentage. The Taxable Series 2010B Bonds are the only obligations of the City secured by the Net Revenues of the Water and Wastewater System that are payable in part from the federal subsidy payments to be received pursuant to the “Build America Bond” program. The City is not aware of any funding impacts from sequestration on the City’s Water and Wastewater System other than the change in the federal subsidy payment received by the City for the interest due on the Taxable Series 2010B Bonds. The City makes no representation as to whether the federal subsidy payments will be restored to the levels prior to the reduction of the subsidy described in this section, or whether future reductions in the subsidy may occur at any time while the Taxable Series 2010B Bonds are outstanding.

Rate Covenant Required By Prior Subordinate Lien Ordinance

The City has agreed to establish rates and charges for the facilities and services of the Electric Utility System and the Water and Wastewater System to provide Gross Revenues in each Fiscal Year sufficient (i) to pay the Maintenance and Operating Expenses, (ii) to fund the reserves required for Prior Subordinate Lien Obligations and other obligations or evidences of indebtedness payable solely from and secured solely by a lien on and pledge of the combined Net Revenues of the Electric Utility System and the Water and Wastewater System, and (iii) to produce Net Revenues (after satisfaction of the amount required in (ii) above) equal to at least 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Prior Subordinate Lien Obligations and all other indebtedness payable solely from and secured solely by a lien on and pledge of the Net Revenues of either the Electric Utility System or the Water and Wastewater System, or both.

Rate Covenant Required by Master Ordinance

In the Master Ordinance, the City has agreed to fix, establish, maintain and collect such rates, charges and fees for water and wastewater services furnished by the Water and Wastewater System and to the extent legally permissible, revise such rates, charges and fees to produce Gross Revenues in each Fiscal Year sufficient: (i) to pay all current Operating Expenses, (ii) to produce Net Revenues, after deducting amounts expended during the current Fiscal Year from the Water and Wastewater System’s Net Revenues for the payment of debt service requirements of the Prior Subordinate Lien Obligations, equal to the greater of either (x) an amount to pay the actual annual debt service due and payable in such Fiscal Year of the then Outstanding Parity Water/Wastewater Obligations or (y) an amount, when added to Other Available Water and Wastewater System Revenues, that would pay 125% of Annual Debt Service Requirements due and payable in such Fiscal Year of the then Outstanding Parity Water/Wastewater Obligations, and (iii) to pay after deducting the amounts determined in (i) and (ii) above, all other financial obligations of the Water and Wastewater System reasonably anticipated to be paid from Gross Revenues.

If the Net Revenues in any Fiscal Year are less than the aggregate amount specified above, the City shall promptly upon receipt of the annual audit for such Fiscal Year cause such rates and charges to be revised and adjusted to comply with this covenant or obtain a written report from a Utility System Consultant after a review and study of the operations of the Water and Wastewater System has been made concluding that, in their opinion, the rates and charges then in effect for the current Fiscal Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with such rate covenant and such adjustments and revisions to water and wastewater rates and charges are promptly implemented and enacted in accordance with such Utility System Consultant’s report. Notwithstanding anything in the Master Ordinance to the contrary, the City shall be deemed to be in compliance with such rate covenant in the Master Ordinance if either of the actions mentioned in the preceding sentence are undertaken and completed prior to the end of the Fiscal Year next following the Fiscal Year the deficiency in Net Revenues occurred.

Bonds Not Secured by any Debt Service Reserve Fund

The Master Ordinance creates and establishes the “Water/Wastewater System Revenue Obligation Reserve Fund” (the “Reserve Fund”). The City may fund the Reserve Fund with respect to a series of Parity Water/Wastewater Obligations in accordance with the terms of the Master Ordinance and the provisions of any Supplemental Ordinance. The City, in accordance with the provisions of any Supplemental Ordinance, may choose **not** to fund the Reserve Fund in connection with the issuance of Parity Water/Wastewater Obligations issued under the terms of such Supplemental Ordinance.

Pursuant to the terms of the Forty-Second Supplement, the City has determined not to fund the Reserve Fund in connection with the issuance of the Bonds, and therefore, the holders of the Bonds do not have any right to any moneys or any other Reserve Fund Obligations held in the Reserve Fund.

The City has determined to fund the Reserve Fund in connection with the prior issuance of certain Parity Water/Wastewater Obligations. After giving effect to the refunding of the Refunded Bonds, the Reserve Fund will secure the Parity

Water/Wastewater Obligations with the following series designations: Series 2010, Series 2010B (Direct Subsidy – Build America Bonds), and any unrefunded maturities of Series 2012.

Additionally, since 2016, certain Parity Water/Wastewater Obligations have been issued as direct placement bonds purchased by the Texas Water Development Board (the “TWDB”) and have been secured by separate and distinct reserve funds, pursuant to the lending requirements of the TWDB. Such reserve funds have been funded in amounts equal to average annual debt service on each series of bonds purchased by the TWDB and are not available for payment of, and do not in any manner secure the Bonds or obligations secured by the Reserve Fund established under the Master Ordinance. On November 17, 2022, the City anticipates closing on \$50.93 million of three additional series of Parity Water/Wastewater Obligations to be purchased by the TWDB. Each series of these privately placed obligations will also be secured by a separate reserve fund. See “DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES” and “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Future Capital Improvements for Water and Wastewater System” in this document.

The Reserve Fund shall be maintained for the benefit of the owners of only the Parity Water/Wastewater Obligations secured by the Reserve Fund. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the City. Reserve Fund Obligations in the Reserve Fund shall be used for the purpose of retiring the last of the related Parity Water/Wastewater Obligations secured by the Reserve Fund as they become due or paying principal of and interest on the applicable Parity Water/Wastewater Obligations when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose.

The amount to be accumulated and maintained in the Reserve Fund is required to be an amount equal to 50% of the average Annual Debt Service Requirements of the Parity Water/Wastewater Obligations secured by the Reserve Fund (the “Required Reserve Amount”). After giving effect to the refunding of the Refunded Bonds, approximately \$15,071,146 from the Reserve Fund established and in connection with and which secures the Refunded Bonds will be transferred by the City to defease and refund the Refunded Bonds. See “PLAN OF FINANCING” in this document. The Required Reserve Amount after giving effect to the refunding of the Refunded Bonds is approximately \$4,662,455 and will be funded entirely with cash.

The City may, at its option, withdraw and transfer to the Debt Service Fund all surplus in the Reserve Fund over the Required Reserve Amount. The City may replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, the cash or Eligible Investments on deposit in the Reserve Fund, taken together with the face amount of any existing Credit Facilities, in excess of the Required Reserve Amount may be withdrawn by the City, at its option, and transferred to the System Fund unless such excess was funded with the proceeds of sale of Parity Water/Wastewater Obligations in which case such excess shall be deposited to the credit of the Debt Service Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer.

If the City is required to make a withdrawal from the Reserve Fund, the City shall promptly notify the issuer of a Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys and cash resulting from the sale or liquidation of Eligible Investments then on deposit in the Reserve Fund, and NEXT from a drawing under any Credit Facility to the extent of such deficiency. In the event of a draw on a Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Net Revenues; however, such reimbursement from Net Revenues shall be subject to the following paragraph and, dependent on the terms of the Credit Facility, may be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Water/Wastewater Obligations.

In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Reserve Amount, then the City shall, subject to satisfying or making provision for the uses having a priority on the Gross Revenues before any deposits for the payment and security of the Parity Water/Wastewater Obligations and after making required deposits to the Debt Service Fund in accordance with the terms of the Master Ordinance and any Supplemental Ordinance, cause the aggregate Required Reserve Amount then required to be on deposit in the Reserve Fund to be fully restored within 12 months from the date such deficiency, termination or expiration occurred by (i) making substantially equal cash deposits to the Reserve Fund on or before the last day of each month from the available Net Revenues, (ii) depositing Eligible Investments or a Credit Facility to the credit of the Reserve Fund or (iii) a combination of (i) and (ii).

As Parity Water/Wastewater Obligations secured by the Reserve Fund are paid, redeemed or defeased and cease to be Outstanding under the terms of the Master Ordinance or a Supplemental Ordinance, the Required Reserve Amount may be recalculated and redetermined, and any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the City, to (i) the System Fund, if an amount equal to such excess was funded with Net Revenues, or (ii) the Debt Service Fund.

Reserve Fund for Prior Subordinate Lien Bonds

A separate reserve fund, which does not secure the Bonds, was established for the benefit of the Prior Subordinate Lien Obligations. In 2002, the City obtained the consent of the Holders of at least 51% of the principal amount and Maturity Amount of the outstanding Prior Subordinate Lien Obligations to amend the provisions of the Bond Ordinance relating to the Reserve Fund to allow for the funding of all or a part of the amount required to be maintained in the Reserve Fund (the "Required Reserve") with Financial Commitments (defined below) and change the Required Reserve to an amount equal to the average annual requirement (calculated on a calendar year basis) for the payment of principal of and interest (or other similar payments) on all outstanding Prior Subordinate Lien Obligations, as determined on (i) the date of the initial deposit of a Financial Commitment to the Reserve Fund or (ii) the date one or more rating agencies announces the rating of the insurance company or association providing the Financial Commitment for the Reserve Fund falls below the minimum requirement, whichever date is the last to occur. The term "Financial Commitments" means an irrevocable and unconditional policy of bond insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of Texas and with financial strength rated in the highest rating category by Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") and Fitch Ratings, Inc. ("Fitch") and, if rated, by A.M. Best on the date the Financial Commitment is deposited to the credit of the Reserve Fund.

As of August 31, 2022, the amount on deposit to the credit of the common Reserve Fund securing the Prior Subordinate Lien Obligations under the Master Ordinance is \$23,363,841 and is funded with cash. The City may at any time substitute one or more Financial Commitments for the cash and securities deposited to the credit of the Reserve Fund, and following such substitution, the cash and securities released from the Reserve Fund shall be deposited to the credit of one or more special accounts maintained on the books and records of the City and expended only to pay, discharge and defease Prior Subordinate Lien Obligations in a manner that reduces the principal amount and "Maturity Amount" (in the case of Prior Subordinate Lien Obligations issued as capital appreciation bonds, the principal and interest on which is payable upon maturity) of outstanding Prior Subordinate Lien Obligations.

Issuance of Additional Prior Subordinate Lien Bonds Precluded

The Master Ordinance provides that no additional revenue obligations will be issued with a lien on the Net Revenues of both the Electric Utility System and the Water and Wastewater System on a parity with the Prior Subordinate Lien Obligations.

Issuance of Parity Water/Wastewater Obligations

Under the Master Ordinance, the City reserves the right and power to issue or incur Parity Water/Wastewater Obligations for any purpose authorized by law. The City may issue, incur, or otherwise become liable in respect of any Parity Water/Wastewater Obligations if: (i) a Designated Financial Officer shall execute a certificate stating that, to his or her knowledge, the City is in compliance with all covenants contained in the Master Ordinance and any Supplemental Ordinance, is not in default in the performance and observance of any of the terms, provisions and conditions contained in the Master Ordinance and any Supplemental Ordinance, and the Funds and Accounts securing the Parity Water/Wastewater Obligations then Outstanding as established in accordance with the terms of the Master Ordinance and any Supplemental Ordinance contain the amount then required to be deposited in this document or the proceeds of the sale of the Parity Water/Wastewater Obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of such Funds and Accounts; and (ii) an Accountant shall certify or render an opinion to the effect that, for the last completed Fiscal Year preceding the date of the then proposed Parity Water/Wastewater Obligations, or for any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Water/Wastewater Obligations, the Net Revenues of the Water and Wastewater System, after deducting amounts expended from the Water and Wastewater System's Net Revenues during the last completed Fiscal Year for the payment of debt service requirements of the Prior Subordinate Lien Obligations, together with Other Available Water and Wastewater Revenues (see "SECURITY FOR THE BONDS – Surplus Revenue Account" in this document), are equal to 1.25 times the average Annual Debt Service Requirements of the Parity Water/Wastewater Obligations to be Outstanding, after giving effect to the issuance of the then proposed Parity Water/Wastewater Obligations. The Bonds, the 2023 Bonds and the Parity Water/Wastewater Obligations

to be purchased by the TWDB (as described in “SECURITY FOR THE BONDS – Bonds Not Secured by any Debt Service Reserve Fund” in this document) will be issued in satisfaction of the requirements described in this paragraph.

For purposes of the Accountant’s certification or opinion noted in clause (ii) above, if Parity Water/Wastewater Obligations are issued to refund less than all of the Parity Water/Wastewater Obligations then Outstanding, the aforesaid certificate, report or opinion of the Accountant shall give effect to the issuance of the proposed refunding of Parity Water/Wastewater Obligations (and shall not give effect to the Parity Water/Wastewater Obligations being refunded).

In making a determination of Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the Water and Wastewater System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues coverage test described above, make a pro forma determination of the Net Revenues of the Water and Wastewater System for the period of time covered by the Accountant’s certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant’s certificate or opinion.

Short-Term Parity Water/Wastewater Obligations

Pursuant to the Master Ordinance, the City may issue or incur Parity Water/Wastewater Obligations issued in the form of commercial paper and for purposes of satisfying the Net Revenues coverage test for additional Parity Water/Wastewater Obligations, the term “Outstanding Funded Debt” (as defined in APPENDIX C) shall include Subordinated Debt (as defined in APPENDIX C) that matures by its terms, or that is renewable at the option of the City, to a date more than one year after the date of its issuance by the City. The terms and conditions pertaining to the issuance of Parity Water/Wastewater Obligations in the form of commercial paper, including, without limitation, the security, liquidity and reserves necessary to support such commercial paper obligations, are to be contained in a Supplemental Ordinance relating to their issuance.

Special Facilities Debt and Subordinated Debt

Special Facilities Debt and Subordinated Debt may be incurred by the City without limitation.

Credit Agreements – 2008 Variable Rate Bonds

The Refunded Bonds include all of the City’s outstanding 2008 Variable Rate Bonds which are variable rate demand obligations currently outstanding in the principal amount of \$93,500,000. The 2008 Variable Rate Bonds are benefited by the Letter of Credit that was issued pursuant to the Reimbursement Agreement. See “PLAN OF FINANCING – Termination of 2008 Credit Agreements” and “SOURCES AND USES OF FUNDS” in this document.

Under the Master Ordinance, payments made under a Credit Agreement may be treated as Parity Water/Wastewater Obligations payable solely from and equally and ratably secured by a lien on the Net Revenues of the Water and Wastewater System of equal rank and dignity with the lien and pledge securing the payment of Parity Water/Wastewater Obligations if the governing body of the City makes a finding in the Supplemental Ordinance authorizing and approving the Credit Agreement that Gross Revenues will be sufficient to meet the obligations of the Water and Wastewater System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of Parity Water/Wastewater Obligations then outstanding and the financial obligations of the City under the Credit Agreement, and such finding is supported by a certificate executed by a Designated Financial Officer of the City.

The 2008 Variable Rate Bonds are the only outstanding series of Parity Water/Wastewater Obligations for which the City has executed a Credit Agreement and treated its obligations under the Credit Agreement as a Parity Water/Wastewater Obligation. The Reimbursement Agreement is a Credit Agreement, as defined in the Master Ordinance. The City has no current payment obligations under the Reimbursement Agreement, other than to pay an annual fee with respect to the issuance and maintenance of the Letter of Credit. Under the terms of the Reimbursement Agreement, the Letter of Credit is scheduled to expire on December 10, 2022.

In conjunction with the delivery of the 2008 Variable Rate Bonds and pursuant to a fifteenth supplemental ordinance to the Master Ordinance, the City entered into the Swap Agreement with Goldman, pursuant to which the City is obligated to make payments to Goldman calculated on a notional amount equal to the scheduled outstanding principal amount of the 2008 Variable Rate Bonds and a fixed interest rate of 3.60% per annum, and Goldman is obligated to make reciprocal payments to the City calculated on a notional amount equal to the scheduled outstanding principal amount of the 2008 Variable Rate Bonds and a variable rate equal to the SIFMA index for obligations having a maturity of 2031. The Swap Agreement constitutes a Credit Agreement. Payments under the Swap Agreement are made on a net basis on the fifteenth day of each

month, commencing in May 2008 and ending in May 2031. Interest on the 2008 Variable Rate Bonds is determined in a manner that differs from the SIFMA index used to calculate amounts payable to the City under the terms of the Swap Agreement. The City entered into the Swap Agreement in conjunction with the issuance of the 2008 Variable Rate Bonds to effect and quantify a debt service savings on outstanding bonds that were refunded with the proceeds of the 2008 Variable Rate Bonds. Payments to be made by the City, if any, under the terms of the Swap Agreement (other than a “termination payment” as discussed below) are payable solely from and equally and ratably secured by a lien on the Net Revenues of the Water and Wastewater System of equal rank and dignity with the lien and pledge securing the payment of Parity Water/Wastewater Obligations. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS–Note 6–Debt and Non-Debt Liabilities” in this document for a discussion relating to the valuation of and risks associated with the Swap Agreement. As of August 31, 2022, the net aggregate monthly payments the City has made under the Swap Agreement equal \$144,324,561.

In connection with the refunding of the 2008 Variable Rate Bonds, the City has determined that it will terminate the Swap Agreement. On the date of delivery of the Bonds, lawfully available funds of the Water and Wastewater System will be used by the City to pay to Goldman the Termination Payment incurred in connection with the termination of the Swap Agreement. See “PLAN OF FINANCING – Termination of 2008 Credit Agreements” and “SOURCES AND USES OF FUNDS” in this document.

System Fund

Under the Master Ordinance and in accordance with the provisions of the ordinances authorizing the issuance of the Prior Subordinate Lien Obligations and the Commercial Paper Obligations, the City has created and there shall be maintained on the books of the City while the Parity Water/Wastewater Obligations are Outstanding a separate fund or account known and designated as the “Water and Wastewater System Fund” (the “Water and Wastewater System Fund” or the “System Fund”). All funds deposited to the credit of the System Fund and disbursements from the System Fund shall be recorded in the books and records of the City and moneys deposited to the credit of the System Fund shall be in an account or fund maintained at an official depository of the City. The Gross Revenues of the Water and Wastewater System shall be deposited, as collected, to the credit of the System Fund and such Gross Revenues deposited to the credit of the System Fund shall be allocated, budgeted and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of Operating Expenses, as defined in this document or in the Master Ordinance or required by statute to be a first charge on and claim against the Gross Revenues thereof.

SECOND: To the payment of the amounts required to be deposited to the credit of the reserve fund established for the Prior Subordinate Lien Obligations.

THIRD: Equally and ratably to the payment of the amounts required to be deposited to the credit of (i) the special fund created and established for the payment of principal of and interest on the Prior Subordinate Lien Obligations as the same becomes due and payable, (ii) the funds maintained for the payment of Previously Issued Separate Lien Obligations currently Outstanding, and (iii) the special Funds and Accounts for the payment of the Parity Water/Wastewater Obligations.

FOURTH: To pay Subordinated Debt, including amounts for the payment of the Commercial Paper Obligations, and the amounts, if any, due and payable under any credit agreement executed in connection therewith.

FIFTH: To the payment of the amount, if any, approved and authorized by action of the governing body of the City, to be deposited to the credit of the Water and Wastewater System Surplus Revenue Account.

Any Net Revenues remaining in the Water and Wastewater System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

The City has established the “Revenue Stability Reserve Fund” as an account within the System Fund, and, therefore, the Revenue Stability Reserve Fund is separate and distinct from the Reserve Fund established by the Master Ordinance and described in “SECURITY FOR THE BONDS – Bonds Not Secured by any Debt Service Reserve Fund” in this document. The Revenue Stability Reserve Fund is funded by the “Water Revenue Stability Reserve Fund Surcharge” described in “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Service Rates” in this document.

Moneys in the Revenue Stability Reserve Fund are Gross Revenues under the Master Ordinance. The City Council of the City has established certain policy restrictions with respect to the use of moneys in the Revenue Stability Reserve Fund, which are described in “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates”. Notwithstanding these policy restrictions, the provisions of the Master Ordinance regarding the use of moneys on deposit in the System Fund (including the Revenue Stability Reserve Fund) that are described above in this “SECURITY FOR THE BONDS – System Fund” caption, govern and control. For additional information regarding the Revenue Stability Reserve Fund, see “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates” in this document.

Surplus Revenue Account

At the end of each Fiscal Year and after satisfying all payments and transfers having a priority on the revenues deposited to the credit of the System Fund, an amount approved and authorized by action of the governing body of the City may be transferred from the System Fund and deposited to the credit of a “Water and Wastewater System Surplus Revenue Account” to be established and maintained on the books and records of the City. The amounts deposited to the credit of the Water and Wastewater System Surplus Revenue Account may be used to make capital improvements to the Water and Wastewater System, to pay Operating Expenses or for any other lawful purpose. Prior to the beginning of each Fiscal Year, an amount deposited to the credit of the Water and Wastewater System Surplus Revenue Account may by action of the governing body of the City in the approval of the annual budget, or by a separate action, be designated as “Other Available Water and Wastewater Funds.” The amount so designated as “Other Available Water and Wastewater Funds” shall be transferred on the books of the City to the credit of the System Fund as of the beginning of such Fiscal Year.

COMMERCIAL PAPER NOTE PROGRAMS

The City has established two short-term interim financing commercial paper program structures, a \$400,000,000 tax-exempt commercial paper program (the “Tax-Exempt Commercial Paper Note Program”) and a \$100,000,000 taxable commercial paper program (the “Taxable Commercial Paper Note Program,” and together with the Tax-Exempt Commercial Paper Note Program, the “Commercial Paper Note Programs”). The purpose of the Commercial Paper Note Programs is to provide funds for the interim financing of a portion of the costs of capital improvements of the Combined Utility Systems. Notes issued under the Commercial Paper Note Programs (referred to as “Commercial Paper Obligations” in this document) are payable from the Net Revenues of the Combined Utility Systems after providing for the payment of the Prior Subordinate Lien Obligations, the Parity Electric Utility Obligations and the Water and Wastewater System Separate Lien Obligations.

The City’s current financial policy provides that the proceeds of Commercial Paper Obligations issued for the Water and Wastewater System can only be utilized to finance (i) new water and wastewater plans, (ii) capital expansions, (iii) growth-related projects, (iv) routine capital improvements required for normal business operation, and/or (v) improvements to comply with local, state and federal mandates or regulations. The City’s current financial policy provides that the proceeds of Commercial Paper Obligations issued for the Electric Utility System can only be utilized (i) to finance capital improvements required for normal business operation for Electric Utility System additions, extensions, and improvements or improvements to comply with local, state and federal mandates or regulations without prior voter authorization; however, this shall not apply to new nuclear or conventional coal generation, or (ii) for voter-authorized projects (although such voter authorization is not required by State law). See “SECURITY FOR THE BONDS” in this document.

Liquidity support for the \$400,000,000 Tax-Exempt Commercial Paper Note Program is provided by a revolving credit agreement issued by JPMorgan Chase Bank, National Association (“JPMorgan”). The revolving credit agreement with JPMorgan, which was amended and restated on October 1, 2020, was set to expire in accordance with its terms on September 30, 2022. On July 28, 2022, the City and JPMorgan agreed to extend the revolving credit agreement through September 30, 2024. The revolving credit agreement with JPMorgan also allows for the direct placement of tax-exempt commercial paper notes with JPMorgan.

Liquidity support for the \$100,000,000 Taxable Commercial Paper Note Program is provided by a revolving credit agreement issued by Barclays Bank PLC (“Barclays”). The revolving credit agreement with Barclays, which became effective on October 1, 2020, expires in accordance with its terms on September 30, 2024. The revolving credit agreement with Barclays amended and restated the Taxable Commercial Paper Note Program to increase the amount of taxable commercial paper notes outstanding from time to time to \$100,000,000 from the previous authorization of \$75,000,000. See “PLAN OF FINANCING – Refunding of Outstanding Commercial Paper Notes” in this document.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated September 27, 2022. Interest on the Bonds will accrue from the date of their initial delivery to the Underwriters (the “Date of Initial Delivery”). Interest on the Bonds will be payable on May 15, 2023, and each May 15 and November 15 until maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and bear interest at per annum rates set forth on page ii of this document. Interest to be paid on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds is payable at maturity, subject only to prior redemption of the Bonds as described in this document.

Optional Redemption of the Bonds

The City reserves the right, at its option, to redeem Bonds maturing on or after November 15, 2033, in whole or in part, in the principal amounts of \$5,000 or any integral multiple thereof on November 15, 2032, or any date thereafter, at the par value plus accrued interest to the date fixed for redemption.

Upon any optional redemption of the Bonds, if less than all of the Bonds are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity are to be redeemed, the Bonds, or portion of the Bonds, within such maturity will be selected at random, by lot or other customary method selected by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption of the Bonds

The Bonds having stated maturities of November 15, 2047 and November 15, 2052, respectively (the “Term Bonds”), shall be subject to mandatory sinking fund redemption in part prior to maturity at the par value plus accrued interest to the date of redemption on November 15 in each of the years and in the principal amounts as follows:

5.000% Term Bond due November 15, 2047		5.000% Term Bond due November 15, 2052	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>
2043	3,645,000	2048	4,680,000
2044	3,830,000	2049	4,920,000
2045	4,025,000	2050	5,170,000
2046	4,235,000	2051	5,435,000
2047 [†]	4,450,000	2052 [†]	5,715,000

[†]Stated maturity.

Approximately 45 days prior to each mandatory sinking fund redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable stated maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

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

Notice of Redemption

Not less than 30 days before a redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first-class postage prepaid, in the name of the City and at the City’s expense, to the registered owner of a Bond to be redeemed in whole or in part at the address of the bondholder appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice, and any notice

of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the registered owner.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar before the notice of redemption is mailed, such notice may state that redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or before the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Defeasance

The City may defease and discharge its obligation to the holders of any or all of the Bonds to pay the principal of, redemption premium, and interest thereon by depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust: (a) cash in an amount equal to the principal amount of, redemption premium, and interest to become due on the Bonds to the date of maturity or prior redemption, or (b) Government Obligations, consisting of (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent. Government Obligations deposited in trust to defease the Bonds are required to be affirmed by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to pay the principal of, redemption premium, and interest on the defeased Bonds.

Paying Agent/Registrar

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

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

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date with respect to the Bonds means the close of business on the last business day of the month preceding such interest payment date. In the event of a non-payment of interest on one or more maturities of the Bonds on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment for such maturity or maturities (a "Special Record Date") will be established by the Paying Agent/Registrar, if any, when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of such maturity or maturities of the Bonds appearing on the books

of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued (see “BOOK-ENTRY-ONLY SYSTEM” in this document), the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated payment/transfer office of the Paying Agent/Registrar, or sent by United States mail, first-class postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Bondholders’ Remedies

If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in either the Master Ordinance or the Forty-Second Supplement, or the City declares bankruptcy, the registered owners may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds, the Master Ordinance or the Forty-Second Supplement and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the courts, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Neither the Master Ordinance nor the Forty-Second Supplement provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Forty-Second Supplement, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken on the initiative of, and be financed by, the registered owners. The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, Texas Government Code (“Chapter 1371”), secured by the revenues of the Water and Wastewater System. In the proceedings authorizing the issuance of obligations or the execution and delivery of credit agreements, the City may agree to waive sovereign immunity from suit or liability for the purposes of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation. The City has not waived the defense of sovereign immunity with respect to the Bonds under Chapter 1371. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the State legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Master Ordinance or the Forty-Second Supplement. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson I”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“Wasson II” and, together with Wasson I, “Wasson”), ruled that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they

relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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

For a more detailed explanation of the various covenants and agreements with the Holders of the Bonds, including provisions for amendments to the Master Ordinance and any supplemental ordinances thereto (including the Forty-Second Supplement), and defeasance of the Bonds, see APPENDIX C attached to this document.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York (“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.

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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 City 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 City may decide to discontinue use of the system of book-entry-only 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 City, PFM Financial Advisors LLC, and the Underwriters each believes to be reliable, but the City, PFM Financial Advisors LLC, and the Underwriters take no responsibility for the accuracy thereof.

THE SYSTEMS

The City owns and operates an electric utility system (also referred to in this document as the "Electric Utility System," the "Electric Light and Power System" or "Austin Energy") and a water and wastewater system (also referred to in this document as the "Water and Wastewater System," "Water and Wastewater Utility" or "Austin Water") which provide the City, as well as adjoining areas of Travis County and certain adjacent areas of Williamson County, with electric, water and wastewater services. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, City individually-owned gas/oil-fired electric facilities and a biomass generation facility are available to meet Electric Utility System demand. The City owns all the facilities of the Water and Wastewater System. For the fiscal year commencing October 1, 2021, the Electric Utility System had approximately 1,897 full-time regular employees and the Water and Wastewater Utility had approximately 1,298 full-time regular employees.

THE WATER AND WASTEWATER SYSTEM

Management

Name	Years at City*	Additional Years of Experience	Total
Interim Director ⁽¹⁾			
Robert Goode (**)	11	28	39
Assistant Directors			
Anna Bryan-Borja, CIA, <i>Business Services</i>	25	3	28
Rick Coronado, P.E., <i>Operations</i>	27	-	27
Kevin Critendon, P.E., <i>Environmental Planning and Development Service</i>	11	27	38
Joseph Gonzales, CPA, <i>Financial Services (**)</i>	19	9	28
Randi Jenkins, <i>Customer Experience</i>	16	4	20
Shay Roalson, P.E., <i>Engineering Services</i>	2.5	27	29.5
David Johnson, CIO, <i>Information Technology Services</i>	1	35	36

⁽¹⁾ A permanent Director of Austin Water is currently anticipated to be selected by the end of the current calendar year.

*As of August 31, 2022.

** Length of service is not continuous.

WATER SYSTEM

Service Area

The City supplies treated water to residential, industrial, and commercial customers within the corporate limits of the City and to a portion of Travis and Williamson Counties. The presently defined service area totals approximately 538 square miles. The City also has contracted to supply treated water on a wholesale basis to four municipal utility districts (individually, a “MUD”; collectively “MUDs”); two water control and improvement districts (individually, a “WCID”; collectively “WCIDs”); several water supply corporations and private utilities; the cities of Manor, Rollingwood, Sunset Valley, West Lake Hills; and the Village of San Leanna. In addition, the City has had a water reclamation initiative for more than thirty years to develop facilities and processes to make treated wastewater effluent available for non-potable uses including irrigation and cooling processes. The City established operating and capital funds for a Reclaimed Water Utility in addition to the Water and Wastewater System operating and capital funds during fiscal year 2013. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Reuse Facilities” in this document. The City has previously acquired the systems and assets of eleven WCIDs. The City has paid off and extinguished the bonded indebtedness of these WCIDs.

The PUCT is empowered to grant utilities a Certificate of Convenience and Necessity (CCN) to provide water and wastewater service to retail customers. Since Austin Water is not defined by state statute as a “utility,” and instead is considered a “municipality,” it is not required to obtain such a certificate. Although not required, the City has obtained water and wastewater CCNs for several specific geographic areas. The TCEQ is empowered to approve and regulate public water systems and has approved the City’s water system including its sources and treatment and distribution facilities. References to the TCEQ in this document are intended to include agencies whose duties and responsibilities have been assumed by the TCEQ.

Water Supply

In 1888, City leaders campaigned successfully for the first Austin dam across the Colorado River, which was completed early in 1893 and was reported to be the largest dam in the world when originally constructed. In 1934, a \$4,500,000 loan and grant was obtained from the Public Works Administration to complete the Buchanan Dam. The Lower Colorado River Authority (“LCRA”) finished the Buchanan Dam—which is 150 feet high and 11,000 feet long—in 1938; the lake it forms (Lake Buchanan) is thirty-two miles long and two miles wide, covering 22,137 surface acres at the full conservation pool elevation of 1,020.5 feet mean sea level (“MSL”).

Since that time, a stairway of lakes was created by building five additional dams, giving the area 150 miles of lakes. Tom Miller Dam is within the City limits, and forms Lake Austin, which covers 1,590 surface acres; Mansfield Dam, impounds Lake Travis, encompassing up to approximately 19,300 acres of surface area at the full conservation pool elevation of 681 feet MSL; Starcke Dam creates Lake Marble Falls, which spreads over 900 acres; Lake Lyndon B. Johnson, held by Alvin Wirtz Dam, has an area of 6,300 acres; and Roy Inks Dam forms Inks Lake, with a surface of 900 acres. The City owns Tom Miller Dam and has leased it to LCRA through December 31, 2050. The other Highland Lakes system dams are owned by LCRA.

The combined storage capacity of the six lakes is around 3,300,000 acre-feet of water, or more than a trillion gallons. Approximately 800,000 acre-feet of this capacity is reserved for flood control. Of the six dams on the Colorado River, two form major impounding reservoirs for the control of flood water; however, Mansfield Dam is the only designated flood control structure. The combined storage capacity of Lakes Travis and Buchanan, the two major water supply storage reservoirs upstream of the City and managed by LCRA, is approximately 2 million acre-feet.

The City also constructed Longhorn Dam on the Colorado River, just downstream of Lady Bird Lake and Decker Dam on Decker Creek, a tributary of the Colorado River that joins the river downstream of Longhorn Dam. Lady Bird Lake, which has a permitted capacity of approximately 3,500 acre-feet, is created by Longhorn Dam. Decker Dam creates Lake Walter E. Long, which has a permitted capacity of approximately 34,000 acre-feet.

United States Geological Survey (“USGS”) records at Austin gauging station No. 08158000 show the following flows for the water year (October 1 through September 30)*:

1989 – 667,900 Acre-Feet	2000 – 627,370 Acre-Feet	2011 – 670,000 Acre-Feet
1990 – 692,300 Acre-Feet	2001 – 1,371,435 Acre-Feet	2012 – 212,800 Acre-Feet
1991 – 829,700 Acre-Feet	2002 – 1,674,985 Acre-Feet	2013 – 210,600 Acre-Feet
1992 – 5,419,000 Acre-Feet	2003 – 1,017,294 Acre-Feet	2014 – 219,200 Acre-Feet
1993 – 978,000 Acre-Feet	2004 – 928,065 Acre-Feet	2015 – 201,700 Acre-Feet
1994 – 708,200 Acre-Feet	2005 – 1,077,031 Acre-Feet	2016 – 1,478,341 Acre-Feet
1995 – 896,700 Acre-Feet	2006 – 553,200 Acre-Feet	2017 – 739,900 Acre-Feet
1996 – 758,300 Acre-Feet	2007 – 2,156,000 Acre-Feet	2018 – 277,600 Acre-Feet
1997 – 3,013,512 Acre-Feet	2008 – 623,200 Acre-Feet	2019 – 2,518,000 Acre-Feet
1998 – 1,313,831 Acre-Feet	2009 – 584,800 Acre-Feet	2020 – 388,965 Acre-Feet
1999 – 803,240 Acre-Feet	2010 – 798,500 Acre-Feet	2021 – 286,858 Acre-Feet

* Data from 1989 to 2021 is referenced from USGS Water-Year Summary Statistics.

From 1989-2021, the water year average flow was 1,076,369 acre-feet per year. As a result of drought conditions, the flows in water years 2012 through 2015 were lower, in accordance with TCEQ approval, due to LCRA cutting off most Highland Lakes interruptible stored water releases for agricultural irrigation operations. Water year 2018 also experienced dry conditions and LCRA implemented a partial curtailment for downstream agricultural releases towards the latter part of the year. The gauging station referenced above is located on the Colorado River downstream of Longhorn Dam and downstream of the City’s intakes.

Water Rights

The City holds independent rights to impound, divert and use the waters of the Colorado River and its tributaries, and additional rights to such water pursuant to agreements with LCRA.

The City’s independent water rights have been adjudicated before the TCEQ in accordance with the Water Rights Adjudication Act, Texas Water Code, Section 11.301, et seq. The City’s rights, as determined by the TCEQ, are set forth in the Final Determination of all claims of Water Rights in the Lower Colorado River Segment of the Colorado River Basin issued by the TCEQ on July 29, 1985. Both the City and LCRA appealed the Final Determination, seeking additional rights and contesting the rights awarded to each other, in a proceeding styled *In Re: The Exceptions of the Lower Colorado River Authority and the City of Austin to the Adjudication of Water Rights in the Lower Colorado River Segment of the Colorado River Basin*, Cause No. 115,414-A-1 in the District Court of Bell County, Texas, 264th Judicial District (“Cause No. 115,414-A-1”). The City and LCRA entered into a Comprehensive Water Settlement Agreement (the “Settlement Agreement”) in settlement of Cause No. 115,414-A-1 on December 10, 1987. The Settlement Agreement generally improves the independent water rights of both the City and LCRA. Such rights for the City include: the rights to maintain Tom Miller Dam and Lake Austin, Longhorn Dam and Lady Bird Lake, and Decker Dam and Lake Walter E. Long; the right to divert and use 272,403 run of the river acre-feet of water per year from Lake Austin and Lady Bird Lake for municipal

purposes; the right to divert and circulate an unlimited amount of water per year from Lady Bird Lake for industrial purposes so long as consumptive use does not exceed 24,000 acre-feet per year; the right to divert and circulate water from Lake Walter E. Long for industrial (cooling) and recreational purposes so long as consumptive use does not exceed 16,156 acre-feet per year; and the right to divert and use water through Tom Miller Dam for the generation of hydroelectric power. LCRA's independent water rights, as determined by the TCEQ, include the rights to maintain Lakes Travis and Buchanan and to divert and use water therefrom. Pursuant to the Settlement Agreement and the final judgment in Cause No. 115,414-A-1, certain other pending water-related disputes between the City and LCRA were settled. LCRA was granted an option to acquire up to a 50% undivided interest in the City's then proposed Berl L. Handcox, Sr. Water Treatment Plant known as "Handcox WTP" (formerly Water Treatment Plant No. 4 or WTP No. 4) discussed under "Water Treatment Plants" in this document. The District Court issued a final judgment consistent with the Settlement Agreement. Certificates of Adjudication have been issued by the TCEQ.

Pursuant to previous agreements between the City and LCRA, LCRA has agreed to supply the City additional water from storage in Lakes Travis and Buchanan, and other sources. The City also has leased Tom Miller Dam, and the City's right to divert and use water for the generation of hydroelectric power through Tom Miller Dam, to LCRA. The Settlement Agreement provided for the City to receive water from Lake Travis for Handcox WTP, and for additional water for municipal and other purposes of use downstream of Lake Travis.

The City and LCRA executed the First Amendment to the Settlement Agreement (the "First Amendment") on October 7, 1999. This First Amendment extends the existing Settlement Agreement through the year 2050, and gives the City an assured water supply throughout its term by providing additional water from the Highland Lakes system, a chain of lakes formed on the Colorado River that includes Lake Travis, Lake Austin, Lady Bird Lake, and other sources. Additionally, the First Amendment includes an option for the City to renew the Settlement Agreement through the year 2100. The City paid a discounted amount of \$100.0 million to LCRA as part of the First Amendment contract provisions. The \$100.0 million payment to LCRA included compensation for the following terms: (a) pre-paid reservation fee for an additional 75,000 firm acre-feet of water supply, which increased the City's total water supply from 250,000 firm acre-feet to 325,000 firm acre-feet per year for the additional 50-year period, with an option to renew for another additional 50-year period; and (b) pre-paid water use charges that would be paid by the City for water use above 150,000 firm acre-feet up to 201,000 firm acre-feet.

Under the terms of the First Amendment, the Water and Wastewater System will begin annual payments to LCRA for raw water diverted in excess of 150,000 acre-feet once the Water and Wastewater System's average annual diversions for two consecutive years exceed 201,000 acre-feet, which is unlikely to occur prior to 2040. The First Amendment also has numerous other provisions that benefit the City. Also, a legal issue regarding the building of Handcox WTP (formerly WTP No. 4) was settled. LCRA's option to acquire up to 50% of the Handcox WTP lapsed on January 1, 2000. All sections of the 1987 Settlement Agreement related to Handcox WTP were deleted as part of the First Amendment. The First Amendment provides for mutual release of the City and LCRA from any claims or causes of action relating to the delayed construction of Handcox WTP.

Water Treatment Plants

Austin Water has three water treatment plants (Davis, Ullrich, and Handcox WTP), which have a combined rated capacity of 335 million gallons per day ("mgd"). These water treatment plants have a combined clear well storage capacity of 45 million gallons on site.

Austin Water's water distribution system includes approximately 3,964 miles of water mains of varying diameters, 31 major storage facilities with a storage capacity of approximately 170 million gallons, 29,721 City maintained fire hydrants, and 21 major pump stations.

The City receives its water supply from the Colorado River through the three water treatment plants. The Davis Water Treatment Plant and the Ullrich Water Treatment Plant both draw water from Lake Austin. Handcox WTP draws water from Lake Travis.

The Davis Water Treatment Plant, located at Mount Bonnell Road and West 35th Street, has a rated capacity of 118 mgd. The plant is of conventional design, with rapid mix basins, flocculation basins, sedimentation basins, gravity filters, clearwell storage, raw water, system chlorine disinfection, and finished water pumping stations. The plant was constructed in 1954 and expanded in 1963, 1975 and 1986. The Ullrich Water Treatment Plant, located on a site south of Red Bud Trail and Forest View Drive, has a rated capacity of 167 mgd. The existing plant facilities consist of an intake and raw water pumping station, raw water transmission main, seven upflow-solids contact clarifiers, eighteen filters, chlorine disinfection, clearwell

reservoirs, high service and medium service pumping stations, and sludge handling facilities. A 67 mgd upgrade to the Ullrich Plant was completed in 2006. This expansion increased the rated capacity of the plant from 100 mgd to 167 mgd.

Handcox WTP began delivering potable water in November 2014. Located in northwest Austin, Handcox WTP draws its water from Lake Travis. The construction of Handcox WTP added an initial capacity of 50 mgd with expansion capability up to 300 mgd with future phases to meet projected needs. Funding for the construction of Handcox WTP came from a combination of cash transferred from the operating fund and revenue bonds.

Water Use Management Plans, Austin's Integrated Water Resource Plan, and LCRA Water Management Plans

Austin Water has both a water conservation plan and a drought contingency plan, as required in Texas for large municipal water suppliers. The City's Water Conservation Plan details incentive programs, educational efforts and regulations designed to reduce both peak and average day water use. The City's Drought Contingency Plan ("DCP") outlines the City's response to emergency demand or supply conditions. In addition to year-round prohibitions against water waste and a mandatory watering schedule that allows for outdoor irrigation with automatic sprinkler systems of no more than once per week, the plan calls for more restrictive stages if combined storage levels in the Highland Lakes fall below certain levels, or if daily pumpage exceeds limits established by Austin Water's Director. Watering times and days are further limited, and restrictions are placed on discretionary water uses such as ornamental fountains and vehicle washing. Water use restrictions are codified in the City Code, Chapter 6-4. Through these strategies, the Water and Wastewater Utility is striving to continue strengthening conservation efforts while also protecting the City's urban landscape and tree canopy.

For the majority of time from September 2011 through May 2016 the City was in Stage 2 watering restrictions, which resulted in lower than forecasted Gross Revenues in fiscal years 2012 through 2014. Among other measures, Stage 2 watering restrictions limit lawn watering to no more than one day per week. In accordance with the DCP, Stage 2 implementation was triggered in response to the combined storage of water supply in Lakes Travis and Buchanan dropping to 900,000 acre-feet in late summer 2011. Water use restrictions achieved their intended effect, as water use declined significantly during their imposition; however, water use declined more than forecasted by the Water and Wastewater Utility for fiscal years 2012 through 2014. Significant rainfall in 2015 increased the combined storage of Lakes Travis and Buchanan to 2.04 million acre feet as of May 2016. After extensive outreach and community input, the City implemented a modified Conservation Stage on May 18, 2016. Under the new Conservation Stage restrictions, customers are permitted to water their landscapes twice-per-week with hose end sprinklers and once-per-week with automatic irrigation systems. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates" in this document.

Austin's Drought Contingency Plan sets a trigger at certain storage levels at which the City Manager may order the implementation of different stages of conservation measures. As of June 6, 2022, Austin Water is at Stage 1. This comes after a 3-year stretch at Conservation Stage, the lowest stage of Austin's Water Conservation Code. The only change between Conservation Stage and Stage 1 is the reduction of automatic irrigation water hours. Watering is permitted only in the early morning or late evening hours when temperatures are coolest.

Inclining block rates, implemented April 1, 1994, are designed to promote water conservation by single family residential customers. Seasonal rates implemented in 2000 for commercial and multifamily customers are also designed to promote water conservation. Also see "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Reuse Facilities" in this document.

Additionally, in November 2018, the City Council adopted the Water Forward Plan (the "Water Forward Plan"), the City's 100-year integrated water resource plan, intended to ensure a diversified, sustainable, and resilient water future. The Water Forward Plan's strategies include increased water conservation, use of alternative water sources (for example, use of rainwater harvesting, greywater reuse, and air conditioner condensate reuse, among other strategies), increased reclaimed water reuse, aquifer storage and recovery and others.

The City has senior water rights and also firm water supply agreements with the LCRA that provide the City with firm water supplies of up to 325,000 acre-feet per year. LCRA's operations and management of the water stored in Lakes Travis and Buchanan, the region's major water supply reservoirs, is guided by the LCRA Water Management Plan ("WMP"), a document approved by the TCEQ. In November 2015, TCEQ approved an updated WMP that governed LCRA's operation and management of the lakes during the 2016 crop irrigation season, which began in March 2016. LCRA supplies water to firm customers like the City, industries, power plants and other cities. Also, when interruptible water is available, in accordance with LCRA's WMP, LCRA also supplies interruptible water to downstream agricultural irrigation operations in the lower three counties in the lower Colorado River Basin. The updated LCRA WMP better protects the water supply for

firm customers, including the City, and allows LCRA to more quickly adapt its operations as drought conditions change. Revisions include incorporating procedures for curtailing interruptible water such that combined storage in Lakes Travis and Buchanan is maintained above 600,000 acre-feet through a repeat of historic drought conditions through 2013. The revised plan also incorporates a three-tier regime that considers inflows, current storage, and modeled future storage conditions in determining water availability given to interruptible agricultural customers. Additionally, availability of interruptible stored water will be determined separately for each of the two crop seasons, rather than having the determination made once for both crop seasons, as was the case in the previous WMP. The revised WMP also places volumetric limits on the amount of interruptible stored water to be made available for use. City representatives worked diligently through the critical LCRA WMP revision process to proactively ensure reservoir management of Lakes Travis and Buchanan is consistent with the City's firm water interests and with LCRA's lake permit duties and firm customer agreements. In early 2019 LCRA submitted to TCEQ for review and approval a 2018 update to the LCRA WMP. TCEQ approved the "2020 LCRA WMP" in early 2020.

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Water Storage and Pumping Facilities

In addition to the water treatment plants, the City owns and operates the following storage facilities and major water pump stations as part of the Water and Wastewater System.

<u>North System</u>	<u>Total Storage Capacity (Millions of Gallons)</u>	<u>Firm Pumping Capacity (Gallons per Minute)</u>
Anderson Mill (1)	3	7,600
Anderson Mill NWC	1.5	n/a
Avery Ranch (1)	3	n/a
Capital of Texas (1)	0.5	n/a
East Austin	12	37,800
Forest Ridge	3	8,000
Four Points (1) (Elevated)	1	n/a
Four Points (Ground)	7	7,800
Guildford Cove	0.275	1,000
Howard Lane 1	10	50,000
Howard Lane 2	10	See above
Jollyville	11	49,800
Lookout Lane	0.3	800
Martin Hill (1)	34	n/a
North Austin	10	39,800
Pond Springs (1)	3	n/a
Spicewood Springs	10	58,000
Suntree (1) (Elevated)	0.5	n/a
<u>South System</u>		
Allen Road	n/a	Lost Creek – 2,000 Barclay – 3,000
Barclay Road	0.5	3,000
Center Street	8	31,400
Davis Lane 1	10	39,500
Davis Lane 2	10	See above
LaCrosse (1)	3	n/a
Leuthan Lane	3	SWB – 6,950 SWC - 2,700
Lost Creek 1	0.500	890
Lost Creek 2	0.750	See above
Mt. Larson	0.1	100
Never Bend Cove	0.06	1,599
Pilot Knob	10	15,800
Slaughter Lane	6	SWB - 15,000 SWC - 5,400
Thomas Springs (1) (Elevated)	1.25	n/a
Westlake Drive	0.01	500

(1) Storage only, no pumps.

Source: Austin Water.

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Historical Water Pumpage

The following table summarizes historical demand and maximum day water pumpage from fiscal years 2012 through 2021.

<u>Fiscal Year</u>	<u>Total Pumpage (Millions of Gallons)</u>	<u>Percent Change</u>	<u>Maximum Day Pumpage (Millions of Gallons)</u>
2012	47,094	(10.8)%	203
2013	45,902	(2.5)%	183
2014	43,239	(5.8)%	184
2015	43,481	0.6%	207
2016	44,661	2.7%	198
2017	47,371	6.1%	204
2018	48,522	2.4%	203
2019	47,294	(2.5)%	209
2020	51,121	8.1%	215
2021	51,420	0.6%	204

Source: Austin Water.

Projected Water Pumpage

The following table, based on actual operating experience, summarizes the annual treated water pumpage and maximum day pumpage projected by Austin Water. The figures in the following table include projected savings from the water conservation plan implementation; maximum day pumpage estimates include a 10% dry condition variation factor. Figures are subject to change pending adjustments by Austin Water.

<u>Fiscal Year</u>	<u>Total Pumpage (Millions of Gallons)</u>	<u>Maximum Day Pumpage (Millions of Gallons)</u>
2022	52,758	222
2023	53,388	224
2024	54,042	226
2025	54,702	230
2026	55,373	233
2027	56,052	235

Source: Austin Water.

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Information Concerning Water Sales

Fiscal Year Ended September 30

	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021</u>	
	Average # of <u>Customers</u>	Thousand <u>Gallons</u>	Average # of <u>Customers</u>	Thousand <u>Gallons</u>	Average # of <u>Customers</u>	Thousand <u>Gallons</u>	Average # of <u>Customers</u>	Thousand <u>Gallons</u>	Average # of <u>Customers</u>	Thousand <u>Gallons</u>
Thousand Gallons Pumped		47,312,289		48,520,957		47,294,234		51,153,795		51,613,623
Less: Sales to Other Water Utilities (1)		<u>2,665,026</u>		<u>2,621,961</u>		<u>2,333,519</u>		<u>2,533,085</u>		<u>2,415,106</u>
Thousand Gallons to System		<u>44,647,263</u>		<u>45,898,996</u>		<u>44,960,715</u>		<u>48,620,710</u>		<u>49,198,517</u>
Water Sales:										
Retail (2)	228,332	37,902,093	232,324	38,143,134	236,249	37,015,036	240,859	39,246,347	244,707	39,265,057
City Departments	<u>619</u>	<u>601,601</u>	<u>621</u>	<u>678,923</u>	<u>609</u>	<u>665,816</u>	<u>601</u>	<u>659,012</u>	<u>614</u>	<u>758,155</u>
Total Sales to Ultimate Consumer Used by Water Utility	<u>228,951</u>	<u>38,503,694</u>	<u>232,945</u>	<u>38,822,057</u>	<u>236,858</u>	<u>37,680,852</u>	<u>241,460</u>	<u>39,905,359</u>	<u>245,321</u>	<u>40,023,212</u>
Other Unmetered Usage		54,528		41,248		62,370		60,010		74,339
Loss and Unaccounted For		1,390,981		1,412,287		1,390,450		1,503,922		1,517,441
Thousand Gallons to System		<u>4,698,060</u>		<u>5,139,404</u>		<u>5,827,043</u>		<u>7,151,419</u>		<u>7,583,525</u>
		<u>44,647,263</u>		<u>45,414,996</u>		<u>44,960,715</u>		<u>48,620,710</u>		<u>49,198,517</u>
Maximum Daily Consumption		203,834		195,902		207,824		207,051		205,963
Average Daily Consumption		112,791		113,545		109,628		116,270		116,269

(1) Includes sales to all wholesale customers.

(2) Includes residential, multifamily, commercial, and industrial customers.

Source: Austin Water.

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Large Water Customers

Water and Wastewater Utility Large Water Customers Five Year Comparative Data (2017-2021)

Fiscal Year Ended September 30
(Gallons and Dollars in Thousands)

	2017		2018		2019		2020		2021	
	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue
Samsung Austin Semiconductor	2,184,016	\$14,627	2,317,298	\$13,913	2,263,875	\$11,016	2,381,854	\$13,071	2,209,533	\$12,249
Travis County WCID #10	822,205	2,125	839,323	2,775	732,154	4,391	857,011	2,823	753,560	2,539
NXP USA INC (Formerly Freescale, Inc.)(1)	529,506	4,164	610,488	3,770	647,122	3,152	638,932	3,739	648,249	3,779
University of Texas (2)	804,756	6,296	777,696	5,158	728,455	2,003	600,813	3,954	520,519	3,505
Wells Branch MUD	480,115	1,231	483,764	1,520	414,951	1,082	464,917	1,467	456,577	1,445
North Austin MUD #1	425,839	1,170	416,336	1,347	373,305	1,026	404,437	1,314	400,097	1,302
Cypress Semiconductor (Formerly Spansion)	319,139	2,123	329,873	2,483	299,131	2,227	348,349	2,088	332,495	2,007
Northtown MUD	290,888	695	296,842	916	270,556	701	307,718	945	317,037	969
Mid America Apartments LP (3)	141,145	939	185,075	1,037	204,572	1,083	234,555	1,226	241,296	1,252
Austin Independent School District (4)	<u>340,342</u>	<u>2,795</u>	<u>343,591</u>	<u>2,119</u>	<u>313,089</u>	<u>1,627</u>	<u>242,568</u>	<u>1,907</u>	<u>224,754</u>	<u>1,810</u>
Total:	<u>6,337,951</u>	<u>\$36,165</u>	<u>6,600,286</u>	<u>\$35,038</u>	<u>6,247,210</u>	<u>\$28,308</u>	<u>6,481,154</u>	<u>\$32,534</u>	<u>6,104,116</u>	<u>\$30,856</u>
Texas Facilities Commission (5)	229,063	\$1,695	193,194	\$1,343	176,940	\$1,205	182,299	\$1,246	165,305	\$1,161

(1) Totals for NXP USA, Inc. include its East Austin and West Austin plant sites.

(2) Totals for University of Texas include all accounts.

(3) 2019 was the first year that Mid America Apartments LP was a top 10 customer.

(4) Totals for Austin Independent School District include all campuses and locations.

(5) The Texas Facilities Commission ("TFC") was not a top 10 water customer in 2019 - 2021; totals for TFC include all locations and data as a top 10 water user from 2017-2018.

Source: Austin Water.

WASTEWATER SYSTEM

Service Area

Austin Water provides wastewater service to customers within the corporate limits of the City and portions of Travis and Williamson Counties outside of the City. The City has entered into wholesale service contracts with four MUDs, one WCID, and the cities of Rollingwood, Sunset Valley, and West Lake Hills.

Facilities

As of August 1, 2022, Austin Water has two main wastewater treatment plants with a total permitted capacity of 150 mgd, one biosolids treatment and beneficial reuse facility, over 2,996 miles of sanitary wastewater mains and lines, and 143 city-owned, in-service lift stations. The two treatment plants are the Walnut Creek Wastewater Treatment Plant, which began operations in 1977, is currently operating in the 75 mgd phase with permitted capacity up to 100 mgd after expansion. The South Austin Regional Wastewater Treatment Plant, which started operating in 1986, is currently operating in the 75 mgd phase. The Hornsby Bend Biosolids Treatment Plant operates as a sludge treatment and beneficial reuse facility and was placed in operation in 1956. The Hornsby Bend Biosolids Management Plant permit was renewed by TCEQ on April 5, 2019 with an expiration date of April 5, 2024. The Walnut Creek Wastewater Treatment Plant permit was renewed on March 12, 2020, with an expiration date of March 12, 2025. The South Austin Regional Wastewater Treatment Plant permit was renewed on December 19, 2019 with an expiration date of December 19, 2024.

The Walnut Creek Wastewater Treatment Plant is permitted to discharge an average flow of 75 mgd. A 15 mgd upgrade to this plant (which resulted in the plant's current capacity of 75 mgd) was completed in 2004.

The South Austin Regional Wastewater Treatment Plant began operation in April 1986. The plant is now permitted to discharge at a rate of 75 mgd after a 25 mgd upgrade was completed in August 2006.

The Hornsby Bend Biosolids Treatment Plant serves as the City's central biosolids treatment and beneficial reuse facility. Waste biosolids from the Walnut Creek and the South Austin Regional plants are pumped to Hornsby Bend for treatment and beneficial reuse. Biosolids received at Hornsby Bend are thickened, anaerobically digested, mechanically dewatered using belt presses for beneficial reuse through on-site and off-site agricultural land application, and composted for marketing and distribution. Excess water from thickeners, anaerobic digesters and belt presses is treated in a side-stream treatment plant and polished by treatment in large on-site ponds. A greenhouse enclosed aquaculture pond is used to treat the pond water before it is used for irrigation on utility-owned land at the site. Major improvements recently completed at Hornsby Bend include upgrades to sludge thickening, anaerobic digestion, dewatering, and composting facilities. Methane generated during the anaerobic digestion is used to heat the digesters and generate enough electricity to power Hornsby Bend. Excess electricity goes to the power grid. A Center for Environmental Research was established in 1989 at Hornsby Bend with the cooperation of the City, The University of Texas at Austin and Texas A&M University. The City provides laboratory, offices and research facilities at Hornsby Bend for the two universities to conduct environmental research.

In December 2009, the City purchased an operating interest in a regional wastewater collection and treatment system (the "Brushy Creek Project") from the LCRA for approximately \$12 million. The City pays its portion of capital expansions and operations and maintenance costs on an annual basis, and reserves sufficient wastewater capacity to adequately serve all of the area inside the City's jurisdiction within the watershed of the Brushy Creek Project. The cities of Austin, Round Rock, Leander, and Cedar Park all own joint interests in the Brushy Creek Project. The City of Round Rock operates and maintains the system for the cities.

Stormwater is collected in an entirely separate gravity-fed storm wastewater system and is segregated from the sanitary wastewater system. The storm wastewater system is operated and maintained by the City's Watershed Protection Department.

Lift Stations

In addition to the wastewater treatment plants, Austin Water owns and operates numerous lift stations. The following table shows the capacity of the four largest lift stations.

<u>Name</u>	<u>Firm Capacity (Gallons per Minute)</u>
Boggy Creek East	22,500
SAR Transfer	10,000
Tracor	5,580
Four Points #2	3,740

Source: Austin Water.

Historical Wastewater Flows

The following table summarizes the historical influent wastewater flows to the City's wastewater treatment facilities from fiscal years 2012 through 2021.

<u>Fiscal Year</u>	<u>Total Wastewater Flow (Millions of Gallons)</u>	<u>Percent Change</u>
2012	37,859	14.9
2013	34,813	(8.0)
2014	37,298	7.1
2015	40,711	9.2
2016	41,668	2.4
2017	37,804	(9.3)
2018	35,996	(4.8)
2019	41,992	16.7
2020	36,127	(14.0)
2021	38,706	7.1

Source: Austin Water.

- (1) 2021 water pumpage was higher than 2020 (see "WATER SYSTEM – Historical Water Pumpage") primarily due to below average rainfall for majority of the fiscal year, including a hotter, drier summer which increased irrigation demand but did not impact wastewater flows. Generally, periods of below average rainfall results in increased water demand and pumpage without significantly impacting wastewater influent levels. Conversely, periods of above average rainfall results in decreased water demand and pumpage while wastewater flows increase due to inflow and infiltration.

Projected Wastewater Flows

The following table, based on actual operating experience, summarizes the annual influent wastewater flows projected to be received at Austin Water's wastewater treatment plants. Figures are subject to change pending adjustments by Austin Water.

<u>Fiscal Year</u>	<u>Total Wastewater Flow (Millions of Gallons)</u>
2022	41,239
2023	41,915
2024	42,688
2025	43,227
2026	43,882
2027	44,533

Source: Austin Water.

COMBINED WATER AND WASTEWATER SYSTEM INFORMATION

State and Federal Regulatory Matters

The City is subject to the environmental laws and regulations of the State and the United States in the operation of the Water and Wastewater System, including the federal Safe Drinking Water Act (the “SDWA”), the federal Clean Water Act (the “CWA”), and the Texas Water Code. These laws and the regulations issued pursuant to these laws are subject to change, both in text and in administrative interpretation, and the City may be required to improve, expand, or modify the Water and Wastewater System to maintain compliance with regulatory requirements.

Safe Drinking Water Act...Treated drinking water provided by Austin Water is subject to the SDWA and the rules and regulations promulgated by the United States Environmental Protection Agency (“EPA”) and the TCEQ under the SDWA to regulate a wide variety of contaminants that may be present in drinking water. All of Austin Water’s water treatment facilities and the distribution system meet or surpass the requirements of the SDWA and the rules and regulations promulgated under the SDWA.

On January 15, 2021, the EPA published final revisions to the “Lead and Copper Rule” (the “LCR”) under the SDWA. The EPA’s revisions create a new “trigger level” for lead of 10 parts per billion and the lead “action level” of 15 parts per billion is unchanged from the previous rule. Extensive water sampling and analysis protocol are required, including mandatory lead testing at elementary schools and childcare facilities. Public water systems in Texas with lead test results exceeding the trigger or action levels are required to work with the State to take steps that control corrosion or replace service lines that contain lead in its distribution system. The proposed regulation also requires an inventory of any lead service lines in both the water system’s distribution system and in customer systems. The effective date for the revised LCR currently is December 16, 2021 and the compliance date currently is October 16, 2024. If the EPA chooses to modify or withdraw the LCR there may be delays in the effective and compliance dates.

The City is in the process of completing a full inventory of Austin Water’s service lines. In the event any lead service lines are found, the City expects to remove and replace those service lines prior to the October 16, 2024 compliance date. It is not possible at this time to determine whether any lead service lines will need to be replaced or the potential cost of replacing those service lines.

Clean Water Act and Texas Water Code...The CWA and the Texas Water Code regulate Austin Water’s wastewater operations, including the collection system and the wastewater treatment plants. All discharges of pollutants into the nation’s navigable waters must comply with the CWA. The CWA allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed in permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System (the “NPDES”) program, a national program established by the CWA for issuing, revoking, monitoring, and enforcing wastewater discharge permits. The CWA authorized the EPA to delegate the EPA’s NPDES permit responsibility to State or interstate agencies after certain prerequisites have been met by the relevant agencies. The EPA has delegated NPDES permit authority to the TCEQ, which means that the TCEQ is the lead agency for issuing CWA permits for the Wastewater System. The Wastewater System has current TPDES permits for all of its wastewater treatment facilities, issued by the TCEQ, which are also issued under authority granted to the TCEQ by the Texas Water Code. Both the EPA and the TCEQ have authority to enforce the TPDES permits. All of Austin Water’s wastewater treatment plants are in material compliance with their respective discharge permits.

Future Capital Improvements for Water and Wastewater System

On August 17, 2022, City Council approved Austin Water’s five-year capital spending plan for FY 2023-2027 with approximately \$1.36 billion of funding for system improvements. The future Water and Wastewater System improvements included in the five-year capital spending plan include treatment facilities, reservoir, pump station and lift station improvements, and major transmission distribution and collection improvements. Austin Water anticipates financing such improvements with: (1) the issuance of \$910 million additional Parity Water/Wastewater Obligations (including refunding of commercial paper issued to provide interim financing for such improvements); (2) the application of \$386 million of anticipated transfers from current Water and Wastewater System revenues and amounts on hand; and (3) an estimated \$69 million in low-interest loan assistance from the “TWDB. **In November 2022, subsequent to the delivery of the Bonds, the City anticipates issuing an aggregate par amount of \$50,930,000 (preliminary, subject to change) of Parity Water/Wastewater Obligations – to be issued as three separate low-interest loans through the TWDB – as further described below under the subheadings “TWDB SWIFT Funding” and “TWDB SRF Funding” in this document.**

Also see “DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUE” and “PROFORMA DEBT SERVICE REQUIREMENTS OF THE COMBINED UTILITY SYSTEMS” in this document.

TWDB SWIFT Funding... The City submitted its State Water Implementation Fund for Texas (“SWIFT”) applications to the TWDB in fiscal year 2016 for the purposes of obtaining low-interest rate loans for the following projects: (1) development and implementation of Advanced Metering Infrastructure (“AMI”) also known as the smart meter system for Austin Water and (2) multiple capital improvement projects associated with reclaimed water systems. Funding to the City under the SWIFT program was approved by the TWDB in 2016, and loan closings to-date are \$65.6 million for projects associated with reclaimed water systems and \$26.2 million for AMI, as Parity Water/Wastewater Obligations issued by the City. Anticipated future loan closings through TWDB include multi-year commitments for AMI over the next two years which will total an additional \$36 million in loan proceeds. **The City’s anticipated issuance of \$18,000,000 Water and Wastewater System Revenue Bonds, Series 2022 (SWIFT) (the “Series 2022 SWIFT Bonds”) will be issued as additional Parity Water/Wastewater Obligations through the TWDB’s SWIFT Program. The Series 2022 SWIFT Bonds are anticipated to close on or about November 17, 2022.**

TWDB SRF Funding... The City submitted its Clean Water State Revolving Fund (“CWSRF”) and Drinking Water State Revolving Fund (“DWSRF”) applications to the TWDB in fiscal year 2019. In February 2020, the City was awarded funding from the TWDB, in the form of low-interest CWSRF and DWSRF loans, for a combined total of \$120.83 million, of which \$67.83 million is for water and \$53 million is for wastewater infrastructure projects. The SRF loan financings will be structured as Parity Water/Wastewater Obligations of the City privately placed with the TWDB. The City closed on its first such SRF loans in February 2020 in an aggregate par of \$15.0 million (with series designations Series 2020A Bonds and Series 2020B Bonds). The second round of loan closings occurred in January 2021 for the combined amount of \$19.8 million (series designations Series 2021A Bonds and Series 2021B Bonds). The third round of loan closings occurred in November 2021 for the combined amount of \$53.1 million (series designations Series 2021D Bonds and Series 2021E Bonds). **The City’s anticipated issuance of \$24,630,000 Water and Wastewater System Revenue Bonds, Series 2022 (DWSRF) (the “Series 2022 DWSRF Bonds”) and \$8,300,000 Water and Wastewater System Revenue Bonds (CWSRF) (the “Series 2022 CWSRF Bonds”) will be issued as additional Parity Water/Wastewater Obligations through the TWDB’s revolving fund loan programs. The Series 2022 DWSRF Bonds and Series 2022 CWSRF Bonds are also anticipated to close on or about November 17, 2022.**

Services Financed by Utility Districts

On August 19, 1981, the City Council enacted an ordinance establishing the basic requirements for the City’s consent to the creation of a district (e.g., a MUD, WCID or fresh water supply district) created under State law for the purpose of supplying water and/or wastewater service to land within the extraterritorial jurisdiction or the city limits of the City. That ordinance has been modified, over time, by the City’s enactment of its Land Development Code, which contains provisions relating to the City’s consent to the creation of districts. On February 2, 1984, the City Council adopted a resolution that established City policy with regard to the creation of MUDs.

Districts use ad valorem taxes, fees and charges, and water and/or wastewater revenues as a financing mechanism for development of land.

Under the current process, the City consents to the formation of a district by approval of a consent ordinance, a consent agreement, strategic partnership agreement, and if necessary, a utility construction agreement. These agreements among the City, the petitioners seeking formation of the district and the district itself establish a detailed set of requirements and policy statements governing the construction within, operation of and issuance of bonds by that district.

Under the strategic partnership with the district, the district may be annexed separately and dissolved by the City. Upon annexation and dissolution of a district, the City would assume the district’s outstanding debts and other obligations, which pursuant to State law would become payable from ad valorem taxes levied and collected within the City, water and/or wastewater utility revenues and, in some cases, a surcharge fee assessed by the City to utility users within the boundaries of the annexed district. Upon annexation, the City is empowered to issue any authorized but unissued bonds of the district and to use the proceeds for improvements within the annexed district. Alternatively, some types of districts may be annexed, but not dissolved. In those instances, the City would be required only to provide services that the district does not provide and the City would not assume the district’s outstanding debt.

The City has annexed multiple MUDs since December 1997. At the time of annexation, these MUDs are converted to retail customers and the City assumes their outstanding utility system debt, if any.

In February 2011, the City Council approved a resolution that superseded the existing resolution with regard to the policy and general criteria under which the City Council will consider requests to create MUDs. The policy states that the City Council shall consider the following criteria: adherence to the comprehensive plan; extension of public infrastructure with MUD or developer financing; affordable housing; environmental improvement; public transportation facilities; open space; green building; development standards; amenities; school and public safety sites; City provision of water and wastewater services; and financial viability.

The City's MUD policy provides for consideration of extraordinary public benefits, superior development, and enhancement of other City interests when negotiating a consent agreement. Ten new MUDs were subsequently created; during the 2011 and 2013 legislative sessions, conditioned upon the City entering into a consent agreement with each existing MUD at that time. Each MUD's enabling legislation also allows continuation of the district as a "limited district" (to operate and maintain certain assets such as parks or enforce deed restrictions) after full-purpose annexation by the City if the district and the City enter into a strategic partnership agreement. If the City did not consent to the creation of the district or enter into such agreements as are required by the terms of the City's consent ordinance, the MUDs would have been dissolved.

Following staff and board and commission review, in March 2012, the City Council conducted public hearings and approved ordinances consenting to the creation of the nine MUDs. Subsequently, the City Council conducted public hearings regarding a strategic partnership agreement with each of the MUDs and executed Strategic Partnership Agreements with each of the nine MUDs.

In 2015 and 2017, the City annexed two additional MUDs and assumed their outstanding utility system debt.

Since 2017, the City has not annexed any additional MUDs. For additional information on the City's annexation program, see "THE CITY – Annexation Program," "– Recent Annexation" and "– Future Annexation" in this document.

Water Reuse Facilities

The City implemented the water reclamation initiative to develop facilities and processes to make purified wastewater effluent available for irrigation, manufacturing, toilet flushing, and cooling uses. The water reuse facilities operated as part of the Water and Wastewater System include three pump stations, two pressure zones with a boosted area, four water storage facilities with 7.5 MG in storage, and 72.8 miles of mains. An additional 10.2 miles of mains are in design or under construction. The water reuse facilities presently serve a total of 182 metered customers.

Customer demand is highly dependent on weather conditions. In calendar year 2021, customers used 1.53 billion gallons of reclaimed water. Efforts to promote the use of reclaimed water focus on existing large-volume commercial and industrial potable water users that can convert a portion of their use of treated potable water to reclaimed water. The water reuse facilities extend from the eastern edge of the City, where the reclaimed water originates at the wastewater treatment plants, to the center of the City, where most of the reclaimed water customers are located.

Austin Water's Financial Policies

Austin Water performed a review of its financial policies in 2021 and recommended updates to its policies, effective for fiscal year 2022, for debt service coverage, capital expenditures, operating cash reserves and drinking water protection zones. After a public comment period and presentations to the City's Audit and Finance Committee and City Council, the updated financial policies were incorporated as part of the fiscal year 2022 budget. Some of the more significant financial policies for Austin Water which were reviewed and approved by the City Council during the budget process are:

- Debt service coverage of at least 1.75x shall be maintained (this internal policy does not alter the City's obligation under the City's ordinances governing the Parity Water/Wastewater Obligations).
- Capital projects should be financed through a combination of pay-as-you-go financing and debt. An equity contribution ratio of at least 35% to 50% is desirable.
- Operating cash reserves of at least 180 days of budgeted operations and maintenance expense shall be maintained.
- Capital improvement projects for new water and wastewater treatment plants, capital expansions, and growth-related projects that are located in the Drinking Water Protection Zone (DWPZ) will be identified and submitted, as part of the annual budget process, to the Water and Wastewater Commission. The Water and Wastewater Commission will review growth-related DWPZ capital projects spending plans, obtain Commission and citizen

input, review consistency with Imagine Austin Comprehensive Plan, review effect on growth within the DWPZ, and make recommendations on project approval for inclusion in Austin Water's five-year capital spending plan.

In addition to the updates of financial policies for fiscal year 2022, Austin Water continues to maintain higher internal targets for budgeting purposes of a 1.85x debt service coverage ratio and 245 days operating cash reserves.

Water and Wastewater Rates

As a result of persistent drought conditions affecting the service area of the Water and Wastewater Utility, significant water use restrictions were imposed on the customers served by the Water and Wastewater Utility beginning in September 2011. These water use restrictions achieved their intended effect, as water use declined significantly since their imposition; however, water use declined more than forecasted by the Water and Wastewater Utility for fiscal years 2012 through 2014, which resulted in lower than forecasted Gross Revenues during that period. See "WATER SYSTEM – Water Use Management Plan and LCRA Water Management Plans" in this document.

In fiscal year 2014, the Water and Wastewater Utility implemented a fixed revenue goal of 20%, new volumetric rates and block intervals. A revenue stability reserve fund (the "Water Revenue Stability Reserve Fund") was established to help cover costs during extreme weather or economic events. The Water Revenue Stability Reserve Fund is an account within the Water Fund that is funded by a volumetric surcharge applied both to retail and wholesale monthly bills, which became effective in February 2013. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Service Rates" in this document. The Water Revenue Stability Reserve Fund exists separate and distinct from the Water and Wastewater Utility Reserve Fund established by the Water and Wastewater Utility Master Ordinance. The target funding level for the Water Revenue Stability Reserve Fund is 120 days of the budgeted water operating requirements of the Water and Wastewater Utility, which includes operations and maintenance, and other operating transfers, but excludes debt service and other transfers. In the event that any portion of the Water Revenue Stability Reserve Fund is used, the balance will be replenished to the target level within 5 years. Upon creation of the Water Revenue Stability Reserve Fund, the goal to reach the target funding level of 120 days of budgeted water operating requirements was no later than 5 years. If the fund is drawn down prior to reaching the 120 day target during the first 5-year development period, the reserve fund surcharge shall not be lower than it was during the year in which the draw down occurred until such time as the fund reaches its 120 days of operating costs. Moneys in the Water Revenue Stability Reserve Fund are Gross Revenues of the Water and Wastewater Utility under the Master Ordinance. The Water Revenue Stability Reserve Fund cannot be used for purposes other than for water operating purposes of the Water and Wastewater Utility, is primarily intended to pay operating expenses or debt service on Parity Water/Wastewater Obligations related to water purposes, and may only be used to offset current year shortfalls in gross revenues of water operations that exceed 10% of budgeted levels. The City Council must approve any use of funds in the Water Revenue Stability Reserve Fund, no more than 50% of the balance would be used in any one year, and, if used, the Water Revenue Stability Reserve Fund balance will be replenished to the 120-day level within a five-year period.

As of June 30, 2022, the balance of the Water Revenue Stability Reserve Fund was \$54.4 million and fully funded. No assurance can be given that the balance of the Water Revenue Stability Reserve Fund will remain at the 120-day goal; however, the volumetric surcharge for the Water Revenue Stability Reserve Fund has been reduced to a level to maintain the 120 days of Operating Expenses funding goal. As of the date of this document, the Water and Wastewater Utility has not drawn any moneys from the Water Revenue Stability Reserve Fund. Notwithstanding the foregoing policy restrictions of the City currently in effect with respect to the use of moneys within the Water Revenue Stability Reserve Fund, the provisions of the separate Water and Wastewater Master Ordinance regarding the use of moneys on deposit in the Water Fund (including the Water Revenue Stability Reserve Fund in this document) govern and control.

Following the 2017 Cost of Service update, the Water and Wastewater Utility implemented a 4.8% combined rate reduction for the fiscal year ending September 30, 2018. Subsequent to the 2018 rate reduction, the Water and Wastewater Utility has focused its efforts on maintaining level debt service costs. Austin Water has defeased portions of outstanding Parity Water/Wastewater Obligations; the defeasances, which were funded with Capital Recovery Fee collections and operating funds, have allowed the Water and Wastewater Utility to realize approximately \$283 million in present value savings since 2016. As a result of on-going debt management efforts, the City Council approved a zero-percent rate increase for FY 2019 for the first time in several years. Austin Water has maintained stable financial performance with no subsequent rate increases from FY 2019-2023.

While projected gross revenues of the Water and Wastewater Utility have declined since the imposition of the water use restrictions in September 2011, there has not been an unanticipated increase in debt service on Parity Water/Wastewater Obligations or in operating expenses of the Water and Wastewater System since fiscal year 2012, when the water use

restrictions were imposed. The Water and Wastewater Utility prepares a five-year financial forecast each year as part of the City's forecast and budget development process, which includes a City Council-approved policy to forecast gross revenues and operating expenses that provide for at least 1.50 times debt service coverage through FY 2021 and, as recently updated for FY 2022, at least 1.75 times debt service coverage for the Parity Water/Wastewater Obligations by Net Revenues of the Water and Wastewater System. The proposed fiscal year 2023 budget prepared by the Water and Wastewater Utility in May 2022 projects debt service coverage levels in fiscal year 2022 of 1.81 times debt service coverage, decreasing to 1.76 times debt service coverage by fiscal year 2023; the forecasted coverage levels assume that periodic rate increases will resume beginning in fiscal year 2024. No assurance can be given that these debt service coverage levels will be achieved.

On April 9, 2020, in response to the impact of the Pandemic, the City Council approved a 10% rate reduction of tiers 1, 2 and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates, for both of the CAP customer rates and residential Non-CAP customer rates. These temporary rates were effective through October 31, 2020. The current Non-CAP rates that were effective November 1, 2019 resumed November 1, 2021. The CAP customer 10% rate reduction will remain in effect throughout FY 2022 and FY 2023 (See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Service Rates" in this document).

Any increase in the rates, charges or fees for water and wastewater services furnished by the Water and Wastewater System must be approved by the City Council. As a result of the Water and Wastewater Utility's annual budgeting process, a zero-percent rate increase was proposed by Austin Water and approved by City Council on August 18, 2022, for FY 2023. Any rate increase approved by City Council as part of the fiscal year 2024 proposed budget will not take effect prior to November 1, 2023. The City is committed to complying with the agreements and covenants of the City in the Prior Subordinate Lien Ordinance and the Master Ordinance with respect to establishing, maintaining and collecting rates, charges and fees for water and wastewater services furnished by the Water and Wastewater System. See "DESCRIPTION OF THE BONDS – Bondholders' Remedies," "SECURITY FOR THE BONDS – Rate Covenant Required by Prior Subordinate Lien Ordinance" and "– Rate Covenant Required by Master Ordinance" in this document. See also, Section 4 of "APPENDIX C – COPY OF MASTER ORDINANCE" and "Rates and Charges" in "APPENDIX D – SELECTED MODIFIED PROVISIONS FROM ORDINANCES RELATING TO PRIOR SUBORDINATE LIEN OBLIGATIONS" in this document.

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The following schedules present the monthly retail and wholesale customer water and wastewater rates:

Water Service Rates (Effective as of November 1, 2021)

Monthly Customer Charges

<u>Customer Account Charge</u>	<u>Meter Size</u>	<u>Retail Equivalent Meter Charge per Month (1)</u>	<u>Multifamily Charge per Month (2)</u>	<u>Commercial Charge per Month (2)</u>
Retail Customer Account Charge(\$/Month)	5/8	\$7.25	\$12.50	\$8.75
	3/4	10.60	21.00	15.00
	1	13.60	33.00	23.00
	1½	15.50	42.00	29.00
	2	25.40	83.00	58.00
	3	75.10	292.00	204.00
	4	124.80	500.00	350.00
	6	253.80	1,042.00	729.00
	8	482.20	2,000.00	1,400.00
	10	760.20	3,167.00	2,217.00
	12	998.40	4,167.00	2,917.00

Volumetric Surcharge

	<u>Retail per 1,000 Gals. (3)</u>	<u>Wholesale per 1,000 Gals. (3)</u>
Water Revenue Stability Reserve Fund Surcharge	\$0.05	\$0.10

Community Benefit Charge

<u>Wholesale per 1,000 Gals. (5)</u>
\$0.15

Residential Monthly Tiered Minimum Charge

	<u>Min. Charge per Month (4)</u>
0 – 2,000 Gallons	\$ 1.25
2,001 – 6,000 Gallons	3.55
6,001 – 11,000 Gallons	9.25
11,001 – 20,000 Gallons	29.75
20,001 – Over Gallons	29.75

Large Volume Fixed Minimum Charge

	<u>Min. Charge per Month (2)</u>
NXP - Ed Bluestein (formerly Freescale)	\$29,250.00
NXP - W. William Cannon (formerly Freescale)	21,400.00
Samsung	121,100.00
Skorprios (formerly Novati)	4,250.00
Cypress (formerly Spansion)	22,800.00
University of Texas	16,350.00

- (1) Charge is applied to all customer classes.
- (2) Fee is charged in addition to the Retail Equivalent Meter Charge.
- (3) Surcharge is assessed to all water customers per 1,000 gallons of water billed for the billing period to fund the Water Revenue Stability Reserve Fund. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates" in this document.
- (4) Fee charge per 1,000 gallons of water and wastewater billed for the billing period to fund the CAP. Fee only applies to retail customers.
- (5) Fee is charged in addition to the Retail Equivalent Meter Charge and is applied based on the total billed consumption for the billing period as it falls within the rate block, not as a volumetric charge per 1,000 gallons.

Source: Austin Water.

Volume Unit Charge (1)

	<u>Charge per 1,000 Gals.</u>
Single-Family Residential (Non-CAP) (2)	
0 – 2,000 Gallons	\$ 2.89
2,001 – 6,000 Gallons	4.81
6,001 – 11,000 Gallons	8.34
11,001 – 20,000 Gallons	12.70
20,001 – Over Gallons	14.21
Single-Family Residential (CAP) (2)	
0 – 2,000 Gallons	1.23
2,001 – 6,000 Gallons	3.65
6,001 – 11,000 Gallons	6.00
11,001 – 20,000 Gallons	11.51
20,001 – Over Gallons	14.21
Multifamily (3)	
Off Peak	4.53
Peak	5.00
Commercial (3)	
Off Peak	5.27
Peak	5.66
Large Volume (3)	
NXP – Ed Bluestein (formerly Freescale)	
Off Peak	4.67
Peak	5.16
NXP – W. William Cannon (formerly Freescale)	
Off Peak	4.73
Peak	5.23
Samsung	
Off Peak	4.69
Peak	5.18
Skorprios (formerly Novati)	
Off Peak	4.96
Peak	5.48
Cypress (formerly Spansion)	
Off Peak	5.00
Peak	5.52
University of Texas	
Off Peak	5.27
Peak	5.66

(1) Wholesale unit charges vary between \$2.60 and \$5.35 per 1,000 gallons.

(2) The City has approved an inclining block rate structure to promote water conservation for Single Family Residential customers. These rates will be administered on the basis of 1,000 gallon increments. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates” in this document.

(3) Off Peak: November 1 – June 30 bills. Peak: July 1 – October 31 bills.

Source: Austin Water.

Wastewater Service Rates (Effective as of November 1, 2021)

Customer Account Charge

Customer Account Charge (\$/month)	<u>Retail Customers</u> \$10.30	<u>Wholesale Customers</u> \$10.30
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Community Benefit Charge

<u>Charge per 1,000</u> <u>Gallons (3)</u> \$0.15

Volume Unit Charge (1)

	<u>Unit Cost per 1,000 Gallons (2)</u>
Retail	
Single-Family	
0 - 2,000 Gallons	\$ 4.85
2,001 - Over Gallons	9.94
Single-Family Customer Assistance Program (3)	
0 - 2,000 Gallons	\$ 3.11
2,001 - Over Gallons	7.90
Multifamily	\$ 8.93
Commercial	\$ 8.95
Large Volume:	
NXP – Ed Bluestein (formerly Freescale)	\$ 8.52
NXP – W. William Cannon (formerly Freescale)	8.66
Samsung	7.75
Skorpio’s Technology	7.74
Cypress	7.90
University of Texas	8.95

- (1) Wholesale unit charges vary between \$3.80 and \$5.71 per 1,000 gallons.
 (2) Applied to average water consumption during December, January and February billing periods, or actual water consumption, whichever is lower.
 (3) Fee is charged per 1,000 gallons of wastewater billed for all retail customers.
 Source: Austin Water.

The combined water and wastewater minimum charge and volumetric service rates effective as of November 1, 2021 were unchanged from the prior year’s original approved budget.

Wholesale and Outside City Rate Challenges

The City Council has original jurisdiction over Water and Wastewater rates. State law, however, does allow water districts and any customers outside city boundaries to appeal the City’s water and wastewater rates to the Public Utilities Commission of Texas (“PUCT”).

On April 12, 2013, four of the Water and Wastewater Utility’s wholesale water customers submitted a water rate petition challenging the City’s wholesale water rates to the TCEQ. In their petition, the four wholesale customers (North Austin MUD, Northtown MUD, Travis County WCID #10 (Westlake), and Wells Branch MUD) alleged that the City’s wholesale rates were not just or reasonable. The petition alleged the new rates disproportionately increased the monthly fixed charges; collected for costs unrelated to water service; discouraged conservation; and unfairly burdened commercial and large volume customers. The petition also asked the TCEQ to set interim rates while the appeal was pending.

The TCEQ reviewed the petition and recommended referral to the State Office of Administrative Hearings. The hearing concluded in February 2015 and the City received a final ruling from the PUCT in November 2015, which found in favor of the petitioners. The City filed a Motion for Rehearing with the PUCT, which was denied in February 2016. Subsequently, the City filed an appeal in Travis County District Court in March 2016. A hearing in the Travis County District Court was held in May 2017. In the final letter decision, the District Court Judge affirmed the PUCT final order.

On April 15, 2019, Austin Water filed an application to the PUCT for authority to change water and wastewater rates for the four wholesale water petitioners. The City withdrew this application on December 2, 2019. The case was dismissed on January 10, 2020.

The four wholesale water customers represented \$6.3 million, or 2.1%, of the approximate \$300.5 million annual water service revenue for fiscal year 2020.

Water and Wastewater Capital Recovery Fees

On September 3, 1982, the City Council adopted an ordinance under which all new non-industrial and non-commercial customers of the Water and Wastewater System must pay a Capital Recovery Fee at the time that the customer's new tap is purchased. The fee has been revised several times since that date and is currently applied to all connections added to the Water and Wastewater System unless expressly waived by the City Council. In 1989, the City Council appointed an Impact Fee Advisory Committee and reauthorized the Capital Recovery Fee in compliance with procedures and methodology established by State law. The total Water and Wastewater Capital Recovery Fee was implemented August 5, 1999, and was revised effective October 1, 2018. The revised fees are shown below, and under the terms of the Water and Wastewater System Master Ordinance, such fees do not constitute gross revenues of the Water and Wastewater System. There are several of express exemptions from payment of these fees. The City's policy is to use Capital Recovery Fee receipts to either service debt, defease debt, or finance growth-related capital improvement projects, thus reducing the amount required to be debt financed and saving the Water and Wastewater System the related financing costs. The fees listed below are based on one service unit (5/8" meter).

Fees for lots that were platted between October 1, 2007 and December 31, 2013.

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Drinking Water Protection Zone in the City's extraterritorial jurisdiction	\$2,500	\$1,400	\$3,900
Drinking Water Protection Zone in the City limits	2,200	1,200	3,400
Desired Development Zone in the City's extraterritorial jurisdiction	1,800	1,000	2,800
Desired Development Zone in the City limits	1,000	600	1,600
Urban watersheds	800	500	1,300
Central urban redevelopment combining district area and the area bounded by Lady Bird Lake, Lamar Boulevard, 15 th Street, and IH-35	700	400	1,100
Outside of City's extraterritorial jurisdiction	2,500	1,400	3,900

Fees for lots that were platted on or after January 1, 2014 and before October 1, 2018.

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
All Areas	\$5,400	\$2,200	\$7,600

Fees for lots that were platted on or after October 1, 2018.

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
All Areas	\$4,700	\$2,500	\$7,200

Analysis of Water Bills

	Fiscal Year Ended September 30				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Average Monthly Bill Per Customer - Water					
Residential (1)	\$50.41	\$49.83	\$43.67	\$49.92	\$45.52
Multifamily (1)	882.93	766.84	704.57	756.41	771.64
Commercial (1)	400.44	359.50	320.16	321.18	308.11
Large Volume	335,060.66	317,821.74	297,756.97	293,838.57	275,901.94
City Departments	660.28	653.60	612.03	513.13	567.15
Average Monthly Bill – Above Customers	\$109.90	\$101.95	\$90.88	\$97.34	\$92.31
Sales to Other Water Utilities (2)	\$47,174.74	\$47,910.10	\$42,926.88	\$48,396.20	\$46,391.50
Average Monthly Bill – All Customers	\$113.39	\$105.44	\$93.96	\$100.74	\$95.52
<u>Average Monthly Use in 1,000 Gallons – Water</u>					
Residential (1)	5.86	5.84	5.24	5.98	5.77
Multifamily (1)	124.12	127.55	123.67	134.81	137.14
Commercial (1)	50.64	49.77	46.64	49.22	47.28
Large Volume	51,286.38	51,997.13	52,294.19	51,816.62	48,271.15
City Departments	81.16	91.59	89.69	94.03	104.37
Average Monthly Use – Above Customers	14.01	13.96	13.03	14.14	13.77
Sales to Other Water Utilities (2)	13,046.12	12,930.25	11,264.47	12,768.25	12,013.09
Average Monthly Use – All Customers	14.98	14.90	13.84	15.04	14.60
Average Revenue Per 1,000 Gallons – Water					
Residential (1)	\$8.60	\$8.54	\$8.33	\$8.35	\$7.89
Multifamily (1)	7.11	6.01	5.70	5.61	5.63
Commercial (1)	7.91	7.22	6.86	6.52	6.52
Large Volume	6.53	6.11	5.69	5.67	5.72
City Departments	8.14	7.14	6.82	5.46	5.43
Average Revenue – Above Customers	\$7.84	\$7.30	\$6.97	\$6.88	\$6.70
Sales to Other Water Utilities (2)	\$3.62	\$3.71	\$3.81	\$3.79	\$3.86
Average Revenue – All Customers	\$7.57	\$7.08	\$6.79	\$6.70	\$6.54

(1) Inside and Outside City-limit customers combined.

(2) Includes all Wholesale customers.

Source: Austin Water.

Analysis of Wastewater Bills

	Fiscal Year Ended September 30				
	2017	2018	2019	2020	2021
Average Monthly Bill Per Customer – Wastewater					
Residential (1)	\$ 40.02	\$ 38.41	\$ 35.34	\$ 35.29	\$36.74
Multifamily (1)	1,209.90	1,175.46	1,135.09	1,268.46	1,244.10
Commercial (1)	457.33	431.66	413.43	335.48	354.73
Large Volume	299,070.91	330,416.09	299,193.33	295,026.24	283,208.25
City Departments	522.17	446.47	383.47	359.36	364.89
Average Monthly Bill – Above Customers	\$ 100.28	\$ 96.14	\$ 89.63	\$ 88.01	\$88.63
Sales to Other Utilities (2)	\$49,785.58	\$52,040.32	\$54,713.65	\$53,992.98	\$55,173.11
Average Monthly Bill – All Customers	\$102.81	\$98.74	\$92.32	\$110.91	\$111.51
Average Monthly Use in 1,000 Gallons – Wastewater					
Residential (1)	3.84	3.79	3.53	3.68	3.71
Multifamily (1)	126.89	126.62	125.95	140.64	138.16
Commercial (1)	47.06	45.77	45.04	36.40	38.45
Large Volume	35,456.50	40,110.14	37,394.54	39,603.01	38,121.63
City Departments	51.26	47.40	41.70	40.15	40.77
Average Monthly Use – Above Customers	10.25	10.12	9.65	9.68	9.62
Sales to Other Utilities (2)	10,391.34	10,174.46	9,934.19	9,659.09	10,794.51
Average Monthly Use – All Customers	10.78	10.62	10.14	10.15	10.13
Average Revenue Per 1,000 Gallons – Wastewater					
Residential (1)	\$10.43	\$10.14	\$10.01	\$9.60	\$9.91
Multifamily (1)	9.53	9.28	9.01	9.02	9.00
Commercial (1)	9.72	9.43	9.18	9.22	9.23
Large Volume	8.43	8.24	8.00	7.45	7.43
City Departments	10.19	9.42	9.20	8.95	8.95
Average Revenue – Above Customers	\$9.79	\$9.50	\$9.29	\$9.09	\$9.21
Sales to Other Utilities (2)	\$4.79	\$5.11	\$5.51	\$5.59	\$5.11
Average Revenue – All Customers	\$9.54	\$9.29	\$9.10	\$10.93	\$11.01

(1) Inside and Outside City-limit customers combined.

(2) Includes all Wholesale customers.

Source: Austin Water.

ELECTRIC UTILITY SYSTEM
“AUSTIN ENERGY”

Management (as of August 31, 2022)

	<u>Years at City</u>	<u>Additional Years of Experience</u>	<u>Total</u>
General Manager			
Jacqueline Sargent, PE	7	26	33
Deputy General Managers			
Stuart Reilly, <i>Acting Chief Operating Officer</i>	15	15	30
Mark Dombroski, <i>Chief Financial and Administrative Officer</i>	8	24	32
Kerry Overton, <i>Chief Customer Officer</i>	21	11	32
Senior Vice President			
Tammy Cooper, <i>Chief Communications & Compliance Officer</i>	2	23	25
Vice Presidents			
Erika Bierschbach, <i>Market Operations and Resource Planning</i>	22	7	29
Gerardo Galvan, <i>Customer Care Services</i>	5	15	20
Elaine Veselka, <i>Customer Account Management</i>	13	12	25
Richard Géneccé, <i>Customer Energy Solutions</i>	1	27	28
William Sweeney, <i>Power Production</i>	30	4	34
Elton Richards, <i>Electric System Field Operations</i>	3	40	43
Lisa Martin, <i>Electric Systems Engineer and Technical Services</i>	12	5	17
Russell Maenius, <i>Finance</i>	22	16	38
Greg Flay, <i>Technology & Data</i>	6	25	31

Service Area

The service area for Austin Energy was established by the PUCT pursuant to a certificate of convenience and necessity on April 3, 1978. The City’s service area encompasses 227 square miles within the City itself and approximately 210 square miles of surrounding Travis and Williamson Counties. The establishment of such a service area entitles Austin Energy to provide electric service within this area. As presently constituted, the City’s service area overlaps with approximately 11 square miles of the service area of ONCOR Electric Delivery in Travis and Williamson Counties.

The City may not extend the service area for Austin Energy to an area receiving similar utility service from another utility service provider without first obtaining a certificate of convenience and necessity from the PUCT. The City has no plans to expand its present service area.

Real Estate Taxes

Austin Energy pays no real property taxes on facilities inside or outside the City.

Customer Base – Average Monthly Number of Customers

<u>For the 12-Month Period ended September 30, 2021</u>	<u>Average Monthly Number of Customers</u>	<u>Percent</u>
Residential	467,291	89.74
Commercial	50,561	9.72
Industrial	112	0.02
Public Street & Highway	10	0.00
Governmental Authorities	<u>2,783</u>	<u>0.53</u>
Total Service Area Customers	<u>520,757</u>	<u>100.00</u>

Source: Austin Energy.

Physical Property

The City either owns or has an ownership interest in a diverse mix of generation sources, including coal, nuclear, natural gas, and biomass facilities. In addition, Austin Energy has renewable energy installations or contracts for purchased power from wind and solar. See “DESCRIPTION OF AUSTIN ENERGY’S PHYSICAL PROPERTY” and “AUSTIN ENERGY’S STRATEGIC PLANS, GOALS AND POLICIES – Austin Energy Resource, Generation and Climate Protection Plan to 2030” in this document.

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Generation Facilities

As of August 1, 2022, generation facilities wholly or partially owned by Austin Energy and in operation are as follows.

<u>Unit</u>	<u>Year Installed</u>	<u>Nameplate Rating (MW)</u>	<u>Fuel</u>
Fayette Power Project			
Unit No. 1	1979	285.0	Coal
Unit No. 2	1980	285.0	Coal
Decker Power Station			
Gas Turbines	1988	200.0	Gas
Sand Hill Energy Center			
Gas Turbines	2001	180.0	Gas
Gas Turbines	2010	90.0	Gas
Combined Cycle	2004	300.0	Gas
MEC CHP (Dell Children's Hospital)	2006	4.6	Gas
South Texas Project Electric Generating Station			
Unit No. 1	1988	200.0	Nuclear
Unit No. 2	1989	200.0	Nuclear
Nacogdoches Biomass Facility	2012	<u>115.0</u>	Biomass
Total Capacity owned by Austin Energy		<u>1,859.6</u>	
Purchased Power (1)(2):			
Ecofin Whirlwind Energy LLC	2007	59.80	Wind
Skyline Renewables RES North America Hackberry Wind, LLC	2008	165.6	Wind
Exelon Whitetail Wind Energy, LLC	2012	92.3	Wind
Duke Energy Los Vientos IB, LLC	2012	201.6	Wind
FRV Solar AE, LLC	2011	30.0	Solar
Duke Energy Los Vientos III, LLC	2015	200.0	Wind
BHE Renewables TX Jumbo Road Wind, LLC	2015	300.0	Wind
Duke Energy Los Vientos IV, LLC	2016	200.0	Wind
Southern Power Roserock Solar, LLC	2016	157.5	Solar
Southern Power East Pecos Solar, LLC	2017	118.5	Solar
Consolidated Edison CED Upton County Solar, LLC	2017	157.5	Solar
DESRI Midway Solar, LLC	2018	178.5	Solar
Power Fin Texas Solar Project, LLC	2018	3.2	Solar
Avangrid Karankawa Wind, LLC	2019	206.6	Wind
RWE Raymond Wind Farm LLC	2020	200.0	Wind
Pattern Gulf Wind LLC	2021	170.98	Wind
Duke Energy East Blackland Solar Project 1 LLC	2021	144.0	Solar
SE Aragorn Solar LLC	2021	180.0	Solar
ENGIE 2019 ProjectCo-Tx1 LLC	2021	1.8	Solar
Total Capacity from Purchased Power		<u>2,767.88</u>	
Total Capacity including Purchased Power		<u>4,627.48</u>	

(1) The City has also signed contracts to purchase electric energy to be provided in future years. See "AUSTIN ENERGY'S CUSTOMER STATISTICS - Power and Energy Purchase Contracts" in this document.

(2) Purchased power portfolio is comprised of 100% renewable energy.

Source: Austin Energy.

See "AUSTIN ENERGY'S CUSTOMER STATISTICS - Generation and Use Data" in this document for more information on peak demand and generation capacity.

Fuel Supply

The cost and availability of fuel are two of several factors that affect Austin Energy’s finances. Fuel mix percentages (based on generation as a percent of load) by fuel type are provided below.

Fuel Type	Percentage Net Load (*)				
	As of September 30				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Coal	29.2%	29.4%	26.5%	18.7%	25.5%
Natural Gas	13.2	18.7	15.6	16.6	15.8
Nuclear	24.2	25.2	25.1	24.6	25.7
Renewable Energy	35.9	37.5	38.3	41.6	61.3
Net Market Purchases/(Sales)	<u>(2.5)</u>	<u>(10.8)</u>	<u>(5.5)</u>	<u>(1.5)</u>	<u>(28.3)</u>
Total	100.0	100.0	100.0	100.0	100.0

* Inputs to the categories above have been updated; “Purchased Power” in prior Official Statements included bilateral and market purchases. Purchase power agreements remain in the “Renewable Energy” category.
Source: Austin Energy.

Fuel Type

Coal . . . Coal supply and rail transportation are procured through a portfolio of contracts designed to minimize cost. Typically, several weeks of coal inventory are maintained to protect against disruptions. Coal inventories are managed within targeted ranges, and depending on the efficiency of railroad performance, train sets are either removed from or added to service to maintain desired inventory levels. Austin Energy’s coal inventory is targeted to be 40-70 days. Austin Energy’s coal inventory share was 45 days as of July 31, 2022.

Natural Gas . . . Austin Energy utilizes a portfolio of gas contracts and multiple pipelines to diversify risk and minimize cost.

Nuclear . . . The South Texas Project Nuclear Operating Company (“STPNOC”), on behalf of the owners of the South Texas Project, is responsible for the supply of nuclear fuel and for the disposal of spent fuel for the South Texas Project Electric Generating Station (“STP”) (see “DESCRIPTION OF AUSTIN ENERGY’S PHYSICAL PROPERTY - South Texas Project” in this document). Volatility in uranium prices and a number of industry-wide challenges to security of supply in the past few years have led to decisions to enter into long-term supply contracts and to carry a full reload of natural uranium hexafluoride.

Renewable Energy . . . Renewable Energy purchases result from a recurring Request for Proposals (RFP) process under which proposals are submitted to Austin Energy from renewable energy developers with renewable projects located within the ERCOT or the Austin Energy service territory. After a rigorous project evaluation process, Austin Energy may elect to negotiate Power Purchase Agreements with selected developers and then submit finalized contracts to the Austin City Council for approval.

DESCRIPTION OF AUSTIN ENERGY’S PHYSICAL PROPERTY

Fayette Power Project

The Fayette Power Project (“FPP”) is a power project co-owned by the LCRA and Austin Energy. Austin Energy is a 50% owner in Units 1 and 2 of the FPP. A third unit, also at the facility, is 100% owned by LCRA. Pursuant to the Participation Agreement between the City and LCRA, LCRA was appointed Project Manager and a Management Committee comprised of an equal number of voting representatives from each participant was established, supported by four Subcommittees (Environmental, Fiscal/Budget, Fuels, and Technical) composed of representatives from each participant to direct the operation of the project. FPP is a 7,500 acre site located 8½ miles east of LaGrange, Texas, which is approximately 65 miles southeast of the City.

FPP installed scrubbers on Units 1 and 2 in 2011 to meet sulfur dioxide (SO₂) permit levels and to help meet limits of air toxics in the federal Mercury and Air Toxics Standards (“MATS”) rules published in 2012. Beginning in 2012, FPP installed

mercury removal technology equipment to reach compliance with the MATS rule on Units 1 and 2. See “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Environmental Regulation Related to Air Emissions – Mercury and Air Toxics Standards (“MATS”)” in this document. For additional information regarding FPP, see “STRATEGIC PLANS, GOALS AND POLICIES” in this document.

Gas Generation Facilities

Austin Energy owns three gas generation facilities located in Austin Energy’s service territory.

Decker Power Plant consists of four Pratt and Whitney aeroderivative gas turbines with a combined generating capacity of 200 megawatts placed into service in 1988. The Decker plant is served by two natural gas pipelines. Decker 1 steam unit was retired in 2020 and Decker 2 steam unit was retired in 2022.

Austin Energy began commercial operation of a 300 MW combined cycle gas-fired electric generating facility at the Sand Hill Energy Center on September 1, 2004. The “one-on-one” combined cycle unit consists of one “F” class combustion turbine (“CT”), one natural circulation, duct fired, heat recovery steam generator (“HRSG”), and one steam turbine and balance of plant equipment and controls. The unit was designed so that a future “F” technology CT/HRSG train may be added to achieve a nominal rating of 500 MW for this power block. In summer 2010, two General Electric LM6000 aeroderivative gas turbines were placed into service at the Sand Hill Energy Center. The two new units (45 MW each) are similar to the four existing peaking units installed at Sand Hill in 2001. The plant is served by three natural gas pipelines.

In July 2006, Austin Energy added electric generation at a central utility plant located at the redevelopment site of the former Robert Mueller Airport. The plant is a tri-generation facility producing steam, chilled water and power for adjacent buildings. Excess electric power generated at the facility is sent to the electric grid. The electric power is produced by a gas turbine rated at 4.6 MW. The gas turbine exhaust passes through a heat recovery steam generator producing steam for use by an adjoining hospital and/or in an absorption chiller. A 1.5 MW standby diesel generator provides the plant with “Black Start” capability. The plant is served by one natural gas pipeline.

South Texas Project

STP is a two-unit pressurized water reactor nuclear power plant with Unit 1 and Unit 2 (or Units 1 and 2) having a nominal output of approximately 1,350 MW each. It is located on a 12,220 acre site in Matagorda County, Texas, near the Texas Gulf Coast, approximately 200 miles southeast of the City. Participant Ownership (“Participants”) in STP Units 1 and 2 and their percentage of ownership are as follows:

	Ownership	
	Effective February 2, 2006 (1)	
	<u>%</u>	<u>MW (Approximate)</u>
NRG Energy (“NRG”)	44.0	1,188
CPS Energy (City of San Antonio)	40.0	1,080
City of Austin – Austin Energy	<u>16.0</u>	<u>432</u>
	<u>100.0</u>	<u>2,700</u>

(1) In 2006, Texas Genco, holder of a 44% interest in STP, was acquired by NRG Energy, Inc. NRG Energy holds its interest in STP Units 1 and 2 in NRG South Texas LP.

STP is operated by STPNOC, financed and directed by the Participants pursuant to an operating agreement among the Participants and STPNOC. Currently, a four-member board of directors governs the STPNOC, with each of the three Participants appointing one member to serve. The fourth member is STPNOC’s chief executive officer and president. All costs and generation output are shared in proportion to each Participant’s interest.

STP Units 1 and 2 each originally had a 40-year Nuclear Regulatory Commission (“NRC”) license that was scheduled to expire in 2027 and 2028, respectively. Under NRC regulations, the STP owners requested a 20-year license renewal which was approved for STP Units 1 and 2 on September 18, 2017. The license renewals allow operation of STP Units 1 and 2 until August 20, 2047 and December 15, 2048, respectively.

On November 13, 2008, NRG South Texas LP, one of the STP partners, provided Austin Energy with notice of an updated proposal to add STP Units 3 and 4 at the STP site. The City had the right to participate in the ownership of the proposed new units, up to its existing 16 percent share of the STP. Austin Energy evaluated the City’s ownership option and provided

City Council with an analysis on which to base a decision. The City Council elected to decline participation in this expansion as then proposed. Nuclear Innovation North America (“NINA”), operating as a subsidiary of NRG Energy, Inc., became the lead applicant for the license and assumed responsibility for design, construction, and licensing prior to operation of STP Units 3 and 4 on January 24, 2011. The NRC issued the Combined License for STP Units 3 and 4 on February 12, 2016.

Low Pressure turbine upgrades were completed in 2007 for STP Units 1 and 2. The replacement resulted in an additional 136.9 MW of capacity, of which Austin Energy’s share is 21.9 MW. STP Unit 1 was retrofitted with a High Pressure Turbine upgrade in 2020 which resulted in an additional 21.9 MW of capacity, of which Austin Energy’s share is 3.5 MW.

In 2018, STP completed construction of an on-site Dry Cask Storage (“DCS”) system and NRC licensed Independent Spent Fuel Storage Installation (“ISFSI”). The DCS and ISFSI are necessary to store spent nuclear fuel on-site as the spent fuel pool for both STP Units 1 and 2 were nearing their full design limit. The DCS and ISFSI were successfully placed into operation in early 2019 with the off-loading of spent nuclear fuel from the STP Units 1 and 2 spent fuel pool.

Nacogdoches Biomass Facility

Austin Energy acquired from Southern Power Company a 115 MW biomass power plant, fueled by wood waste such as forest residue, mill residue, waste pallets and municipal wood waste located in Nacogdoches County, Texas in June of 2019. Prior to the acquisition, Austin Energy received up to 100 MW of output from the Nacogdoches Biomass Facility under a 20-year Power Purchase Agreement (“PPA”) that would have expired in 2032. The acquisition enabled Austin Energy to avoid approximately \$275 million in additional costs over the remaining term of the PPA. Austin Energy has contracted with NAES Corporation (“NAES”) to provide full-service operations and maintenance at the Nacogdoches Biomass Facility. NAES currently has operations at over 160 power plants in North America, including a similar biomass facility located in Gainesville, Florida.

No immediate changes to the operation of the Nacogdoches Biomass Facility are expected. As is the case with respect to all elements of the electric generating capacity needs of Austin Energy, the long-term status of the operations of the Nacogdoches Biomass Facility will be addressed by Austin Energy in the normal course of future resource planning efforts.

District Energy & Cooling Program

Austin Energy’s District Energy & Cooling program (the “DEC Program”) is a market-based program that constructs, maintains, and operates district energy and cooling plants. These plants transform electrical energy into thermal energy to distribute, via a network of underground pipes, to external customers in the form of chilled water to cool and air condition their buildings. Aggregation of loads enables superior efficiency, reliability, and quality when compared to stand-alone systems. In this region, 40-45% of the electricity consumed by a typical commercial building powers its air conditioning system. The thermal energy storage elements enable Austin Energy to shift electrical consumption from on-peak to off-peak electrical periods.

The DEC Program serves the City’s Central Business District, Domain development (the “Domain”), the Mueller Redevelopment Zone (“Mueller”) and the newly completed Austin Community College (“ACC”) Highland Campus. The DEC Program currently has 80 customers with over 25 million square feet of space connected to its district energy and cooling systems including residential towers, office buildings, hotels, the Austin Convention Center, downtown library and City Hall. The systems serving the Central Business District, ACC and Domain provide chilled water services while the system serving Mueller provides chilled water, steam, and on-site generated electricity to the Dell Children’s Medical Center of Central Texas and chilled water to neighboring buildings.

The DEC Program is supported by revenue from its customers and offers many benefits in return, including reduced construction and capital costs, extraordinary reliability, and simple, low risk operations. Benefits to Austin Energy and the City include having a valuable tool for economic development, providing new revenue from long-term service agreements, and environmental stewardship. All Austin Energy customers benefit from reduced electric market and regulatory charges due to the active electric demand management provided by the thermal energy storage elements of the DEC Program. The Resource, Generation and Climate Protection Plan to 2030 includes a goal of 30 MW and 40 MW of thermal demand shift by 2027 and 2030 respectively. The DEC Program currently provides a peak of 22 MW shift and is projected to reach 40 MW by 2030.

Austin Energy entered into a 30-year contract with ACC on May 2, 2019 for the DEC Program to provide chilled water for ACC’s Highland Campus located in North Austin. ACC was founded in 1973 and has grown to over 76,000 students across

11 campuses serving Central Texas. Austin Energy designed and built a 6000-ton, unmanned Chilled Water Plant on the ACC Highland Campus. The plant includes all appurtenances associated with a chilled water plant, including pumps, chillers, plant controls, cooling towers, piping, and thermal energy storage. The Highland Campus consists of 1.3 million square feet on 81 acres. The project was completed in Q1 of 2022.

Austin Energy recently completed its fourth downtown plant – DCP3 - a 10,000-ton plant located near the Seaholm redevelopment off 2nd Street and Lamar.

AUSTIN ENERGY'S CUSTOMER RATES

Retail Service Rates

The City Council has original jurisdiction over Austin Energy's retail electric rates. Customers living outside Austin can appeal rate changes to the PUCT under section 33.101 of the Public Utility Regulatory Act (Title 2 (Chapters 11 through 66) of the Texas Utilities Code, and referred to in this document as "PURA").

State courts have held that the PUCT may apply the same ratemaking standards to the City as are applied to utilities over which the PUCT has original jurisdiction.

Austin Energy's financial policies require that its rates be reviewed at least every five years. In August 2016, the City Council approved a system average 6.65% base rate reduction for Austin Energy, which was reflected in electric bills beginning in January 2017. In 2020, a rate adequacy review was performed using fiscal year 2019 as a test year and the review determined rates were adequate to support operations. The City Council's affordability goals provide that (a) future rate increases should not result in system average rates exceeding a 2% annual compounded growth rate that began October 2012, and (b) that Austin Energy average system rates should remain in the lower 50% among Texas electric utilities.

In addition to base rates, Council approved pass-through rates include the following charges that are reviewed and updated annually and are passed through dollar-for-dollar on customers' bills:

- Power Supply Adjustment ("PSA"): recovers fuel and net power supply costs.
- Regulatory Charges: recovers Austin Energy's retail transmission expenses and other regulatory expenses, such as the Administrative Fees of ERCOT. Congestion Revenue Rights are netted against the system regulatory costs. The Regulatory Charges are set as a uniform rate across the system, as opposed to being set on a class basis.
- Customer Assistance Program ("CAP"): funds utility bill discounts, weatherization, arrearage management and emergency financial assistance for low-income residential customers (approximately 35,000 customers through Fiscal Year 2020).
- Service Area Lighting ("SAL"): maintains and powers the streetlights and traffic signals in the City (outside-the-city customers are not assessed this fee). The SAL charge reflects a system-wide recovery approach.
- Energy Efficiency Services ("EES"): funds energy efficiency programs. The EES charge reflects a system-wide recovery approach.

Base Rate Decrease: The 2016 rate review resulted in a \$42.5 million base rate decrease. In addition to reducing base revenues, the rate update also eliminated seasonal base rate differentials, modified and moderately flattened the residential tiered rates, redefined the boundaries of the two commercial demand-billed rate classes, and provided a level of price protection for low load factor customers. The changes in rate design were designed to improve cash flow for the utility and provide more stable and predictable rates for customers of Austin Energy. The approved rates were a negotiated result that included residential, commercial, and industrial customers.

Residential rates and structure: Residential base rates consist of a customer charge and tiered energy rates. Residential customers also pay the pass-through rates itemized above.

Commercial rates: Commercial rates generally include a customer charge, demand and electric delivery charges (based on monthly peak demand), energy charges, and the above pass-through rates.

Industrial rates: Generally, industrial rates are comprised of a customer charge, electric delivery and demand charges, and in some instances, an energy charge. Industrial customers pay pass-through rates for the PSA and the Regulatory Charge, and in some instances, all or part of the Community Benefit Charge.

Contract rates: In March 2017, the State of Texas agreed to a new long-term contract for large accounts, extending through August 2026. The City Council approved a new tariff in May 2015 for Austin Energy’s largest transmission customers, replacing the prior long-term contract. As a result, four of Austin Energy’s largest customers are served under a tariff that includes an executed long-term contract.

2022 Base Rate Review: Austin Energy is currently seeking a \$35.7 million base rate increase. The proposal includes a significant update to residential electric rate design, including an increase in the Customer Charge from \$10 to \$25, a reduction in the number of tiers for inside city customers (from five tiers to three tiers) and a reduction in the total spread in the Energy Charge rates from eight cents down to one cent. Austin Energy is also proposing a systematic approach to revenue allocation to be utilized in the current and future rate cases. City Council will review the proposal in late 2022 and base rate implementation is slated for January 2023.

Power Supply Adjustment

During the annual budget process, the City Council reviews Austin Energy’s proposal for updating the PSA, which recovers ERCOT Settlements, fuel and other power supply costs, and purchased power agreement costs, plus an adjustment for the prior year over/under-recovery.

Typical Monthly Residential Electric Bills of Large Texas Cities

<u>City</u>	<u>Monthly Electric Bill*</u>
Dallas/Fort Worth	\$ 98.38
Austin	99.20
Houston	102.43
Corpus Christi	104.23
San Antonio	112.77

* Average monthly residential bill for 1,000 KWh during the period October 2020 – September 2021, including fuel costs. Dallas, Houston, and Corpus Christi are served by competitive retail service providers (“REP”).
Source: powertochoose.org.

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AUSTIN ENERGY'S CUSTOMER STATISTICS

Five Year Electric Customer Statistics

The table below shows service area billed customer sales for fiscal years 2017 through 2021. The revenue per year varies in large degree due to the price of power which is passed through to customers in the Power Supply Adjustment clause as stated above. MWH sales variances are due to a combination of customer growth, weather including the 2021 Weather Event, and changes in consumption patterns due to the COVID-19 pandemic.

	Fiscal Year Ended September 30				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenue (000's)					
Residential	\$ 460,644	\$ 490,443	\$ 496,643	\$ 499,893	\$ 458,913
Commercial	476,618	465,363	484,138	453,953	416,376
Industrial	176,698	178,676	187,206	178,007	156,275
Public Street & Highway	2,734	2,636	2,788	2,450	2,148
Sales to Government Authorities	<u>73,191</u>	<u>72,019</u>	<u>73,274</u>	<u>60,301</u>	<u>64,777</u>
Total	\$ 1,189,885	\$ 1,209,137	\$ 1,244,049	\$ 1,194,603	\$ 1,098,489
MWH					
Residential	4,360,743	4,608,438	4,522,859	4,740,214	4,632,514
Commercial	4,921,879	4,924,929	4,937,091	4,702,026	4,653,262
Industrial	2,820,344	2,968,235	2,962,835	3,003,001	2,929,849
Public Street & Highway	51,438	51,673	52,087	52,817	50,389
Sales to Government Authorities	<u>855,887</u>	<u>864,734</u>	<u>854,147</u>	<u>824,112</u>	<u>836,583</u>
Total	13,010,291	13,418,009	13,329,019	13,322,171	13,102,598
Average Monthly Number of Customers					
Residential	421,752	433,411	443,792	454,616	467,291
Commercial	48,285	48,966	49,587	50,135	50,561
Industrial	104	112	114	115	112
Public Street & Highway	6	4	4	9	10
Sales to Government Authorities	<u>2,554</u>	<u>2,711</u>	<u>2,761</u>	<u>2,785</u>	<u>2,783</u>
Total	472,701	485,204	496,258	507,660	520,757
Average Monthly KWH per Customer					
Residential	862	886	849	869	826
Commercial	8,495	8,382	8,297	7,816	7,669
Industrial	2,250,873	2,213,449	2,168,986	2,168,232	2,175,092
Public Street & Highway	695,102	1,076,528	1,108,227	517,816	423,441
Sales to Government Authorities	<u>27,931</u>	<u>26,584</u>	<u>25,781</u>	<u>24,661</u>	<u>25,048</u>
Average Monthly Bill per Customer					
Residential	\$ 91.02	\$ 94.30	\$ 93.26	\$ 91.63	\$ 81.84
Commercial	822.58	791.98	813.61	754.55	686.26
Industrial	141,020.30	133,240.82	137,047.14	128,524.59	116,017.21
Public Street & Highway	36,947.02	54,922.30	59,312.68	24,024.08	18,052.88
Sales to Government Authorities	<u>2,388.52</u>	<u>2,213.79</u>	<u>2,211.65</u>	<u>1,804.49</u>	<u>1,939.50</u>
Average Revenues per KWH					
Residential	\$ 0.10563	\$ 0.10642	\$ 0.10981	\$ 0.10546	\$ 0.09906
Commercial	0.09684	0.09449	0.09806	0.09654	0.08948
Industrial	0.06265	0.06020	0.06318	0.05928	0.05334
Public Street & Highway	0.05315	0.05102	0.05352	0.04640	0.04263
Sales to Government Authorities	0.08552	0.08328	0.08579	0.07317	0.07743

Source: Austin Energy.

Electric Rates

The PSA, Regulatory Charge, and Community Benefit Charges are updated each year and the new rates are effective as of November 1. Austin Energy's approved rates schedules are contained in the City's annual continuing disclosure filing for the fiscal year ended September 30, 2021 for the City's outstanding Parity Electric Utility Obligations, which filing is available from the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access ("EMMA") system website (see "CONTINUING DISCLOSURE OF INFORMATION – Availability of Information" in this document), and such rate schedules are incorporated into this document by reference. In April 2020, as a result of the Pandemic, Austin Energy temporarily reduced residential rates and returned a Regulatory Charge over-recovery during the final six months of the fiscal year. Austin Energy also increased the discount for the CAP from 10% to 15%. The residential rates returned to their prior rates and the Regulatory Charge was recalculated and updated on November 1, 2020. The CAP returned to the standard rate of 10% effective November 1, 2021.

Transmission Rates

The PUCT has exclusive jurisdiction over rates and terms and conditions for the provision of transmission services by the City. On August 24, 2022, the PUCT approved the City's most recent wholesale transmission annual access rate of \$1.24822/kW. Transmission revenues totaled \$84 million in fiscal year 2021 and are expected to total approximately \$86 million in fiscal year 2022. Austin Energy will continue to manage and review the need for wholesale transmission rate increases as necessitated by its investment and cost to serve.

GreenChoice® Energy Rider

GreenChoice® is Austin Energy's renewable energy program that allows residential and commercial customers to meet their electricity needs by purchasing 100% renewable Texas power. Customers who subscribe to the GreenChoice program will pay, in lieu of the PSA, a renewable energy charge as determined by Austin Energy. Subscribers see the PSA charge replaced with a GreenChoice charge on their electric bill. Austin Energy's GreenChoice program has led all voluntary utility green-pricing programs in the nation in kilowatt-hours of renewable energy sold over the past decade of operation, as ranked by the National Renewable Energy Laboratory. GreenChoice renewable energy sales are certified by Green-e, a leading national independent consumer protection program for the sale of renewable energy and greenhouse gas reductions in the retail market.

GreenChoice Sales (kWh) by Calendar Year

2012	744,442,709
2013	863,956,193
2014	683,986,607
2015	637,575,000
2016	719,814,465
2017	708,313,000
2018	759,088,000
2019	775,538,662
2020	709,063,075
2021	768,176,329

Power and Energy Sales Contracts

Austin Energy has numerous enabling agreements in place with various market participants. The agreements are designed to facilitate energy transactions by providing a standard agreement and may be cancelled by either party upon thirty (30) days' written notice. Transactions are by mutual agreement; no party is obligated to offer, sell or buy energy under the agreements. Austin Energy is an active participant in the ERCOT wholesale power market. In December 2010, ERCOT commenced operation of a nodal or Locational Market Price market. Under this structure, Austin Energy generators are economically dispatched based on their cost against total ERCOT load rather than Austin Energy load. All load is likewise served by the ERCOT centralized dispatch. Bilateral power purchase and sale contracts are unaffected by this change and remain a key feature of the market. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – ERCOT Wholesale Market Design" in this document.

Generation and Use Data

	Fiscal Year Ended September 30									
	2021		2020		2019		2018		2017	
	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh
Net kWh Generated		14,964,076,552		13,833,141,055		14,686,072,244		15,404,121,570		13,905,297,109
kWh Received from ERCOT		468,154,472		1,066,246,223		858,953,254		400,176,250		863,722,320
Less: kWh Delivered to ERCOT		<u>(1,844,289,093)</u>		<u>(1,270,282,001)</u>		<u>(1,590,257,054)</u>		<u>(1,858,211,190)</u>		<u>(1,218,787,411)</u>
				-						
Total kWh Delivered to Service Area		<u>13,587,941,930</u>		<u>13,629,105,277</u>		<u>13,954,768,444</u>		<u>13,946,086,630</u>		<u>13,550,232,018</u>
Service Area Energy Use:										
Residential	467,291	4,632,514,399	454,616	4,740,214,005	443,792	4,522,859,322	433,411	4,608,437,926	421,752	4,360,742,811
General Service (Less UT & ENW)	<u>52,383</u>	<u>8,039,134,230</u>	<u>52,045</u>	<u>8,135,854,225</u>	<u>51,485</u>	<u>8,387,249,208</u>	<u>50,815</u>	<u>8,370,161,391</u>	<u>49,981</u>	<u>8,182,982,288</u>
	<u>519,675</u>	<u>12,671,648,629</u>	<u>506,661</u>	<u>12,876,068,230</u>	<u>495,277</u>	<u>12,910,108,530</u>	<u>484,226</u>	<u>12,978,599,317</u>	<u>471,733</u>	<u>12,543,725,099</u>
Public Street Lighting	10	50,389,428	9	52,817,241	4	52,086,667	4	51,673,359	6	51,437,560
City Utility Departments (*)	310	269,822,873	294	281,553,057	294	252,419,089	295	264,127,365	297	288,204,138
Other City Departments (*)	<u>762</u>	<u>110,737,070</u>	<u>696</u>	<u>111,732,472</u>	<u>683</u>	<u>114,404,714</u>	<u>679</u>	<u>112,841,653</u>	<u>665</u>	<u>110,543,607</u>
	<u>1,082</u>	<u>430,949,371</u>	<u>999</u>	<u>446,102,770</u>	<u>981</u>	<u>418,910,470</u>	<u>978</u>	<u>428,642,377</u>	<u>968</u>	<u>450,185,305</u>
Total Service Area Sales	520,757	13,102,598,000	507,660	13,322,171,000	496,258	13,329,019,000	485,204	13,418,009,000	472,701	13,010,291,000
Loss and Unaccounted For		<u>485,343,930</u>		<u>306,934,277</u>		<u>625,749,444</u>		<u>528,077,630</u>		<u>539,941,018</u>
Total kWh Delivered to Service Area	<u>520,757</u>	<u>13,587,941,930</u>	<u>507,660</u>	<u>13,629,105,277</u>	<u>496,258</u>	<u>13,954,768,444</u>	<u>485,204</u>	<u>13,946,086,630</u>	<u>472,701</u>	<u>13,550,232,018</u>
System Peak Demand (kW)		2,644,000		2,810,000		2,810,000		2,878,000		2,654,000

*Source: Austin Energy. Figures may differ from previously reported data due to changes in customer classifications.

Energy Risk Management

In an effort to mitigate the financial and market risk associated with the purchase of natural gas and energy price volatility, Austin Energy has established an Energy Risk Management Program. This program is authorized by the City Council with an \$800 million limit and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, and swaps for the purpose of reducing exposure to natural gas and energy price risk over a ten-year time horizon. 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.

In accordance with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, the City is required to report the fair value of all derivative instruments on the statement of net position. In addition, GASB Statement No. 53 requires that all derivatives be categorized into two 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 item that is hedged. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net position; and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2021, no premiums were deferred. As of September 30, 2021, the fair value of Austin Energy's futures, options and swaps was an unrealized gain of \$2.3 million, all of which 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.

Further explanation and historical information at last fiscal year end can be found in the footnotes to the financial statements for the fiscal year ended September 30, 2021. See "APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 9a – Energy Risk Management Program" in this document.

Power and Energy Purchase Contracts

The City has signed several long-term energy purchase agreements for conventional, wind, and solar electric generation. All power generated from these facilities is sold into the ERCOT market.

In September 2006, Austin Energy signed a 20-year contract with Renewable Energy Systems ("RES") America Development, Inc. to purchase the output of a 59.8 MW wind energy project located in Floyd County, Texas. On October 10, 2006, RES assigned the contract to Whirlwind Energy, L.L.C. The project began full-scale commercial operation in December 2007.

In August 2007, Austin Energy signed a 15-year contract with RES to purchase the output of a 165.6 MW wind energy project located in Shackelford County, Texas near Abilene. On September 6, 2007, RES assigned the contract to Hackberry Wind, LLC. The project began full-scale commercial operation in December 2008.

In August 2009, Austin Energy signed a 25-year contract with FRV Solar AE, LLC, a subsidiary of Austin Solar, LLC, a successor to Gemini Solar Development Company, LLC, predecessor to the current joint owners, Longsol LLC and Metlife, to purchase the output of a 30 MW solar power plant. The project is located on an Austin Energy site near Webberville just east of Austin and commenced commercial operation in December 2011.

In September 2011, Austin Energy signed a 25-year contract with Los Vientos Windpower IB, LLC, an affiliate of Duke Energy to purchase the output of a 201.6 MW wind energy project located in Willacy County, Texas. Energy purchases from Los Vientos IB commenced in November, 2012, and full scale commercial operation commenced in December 2012. Also in September 2011, Austin Energy signed a 25-year contract with Whitetail Wind Energy, LLC an affiliate of Exelon Corporation, to purchase the output of a 92.34 MW wind energy project located in Webb County, Texas. Energy purchases from Whitetail also began in November 2012, and full-scale commercial operation commenced on December 21, 2012.

In September 2013, Austin Energy entered into two 25-year Power Purchase Agreements with Duke Energy affiliates, Los Vientos Windpower III, LLC and Los Vientos Windpower IV, LLC, to purchase the output of 200 MW wind energy projects

from each entity located in Starr County, Texas. Los Vientos III commenced commercial operation in April 2015 and Los Vientos IV commenced commercial operation in July 2016.

In February 2014, Austin Energy signed an 18-year contract with TX Jumbo Road Wind, LLC, an affiliate of BHE Renewables LLC, to purchase the output of a 300 MW wind energy facility located in Castro County, Texas. Commercial operation began in April 2015.

In May 2014, Austin Energy and RE Roserock LLC, a Canadian Solar affiliate, entered into a 20-year Power Purchase Agreement for the purchase and sale of up to 157.5 MW of solar generated renewable energy from the Roserock Solar Facility to be constructed in west Texas. In November 2015, a Southern Company subsidiary purchased a controlling interest in the project. Commercial operation was achieved in November 2016.

In May 2015, Austin Energy and a subsidiary of Power Fin Texas Solar Projects, LLC entered into a 25-year Power Purchase Agreement for the purchase up to 3.2 MW of solar generated renewable energy from a facility to be constructed in the Austin Energy service territory; this purchase will be considered a component of Austin Energy's local solar goal. Commercial operation began in the first quarter of 2018.

In October 2015, Austin Energy entered into three separate transactions for the purchase and sale of energy from three solar projects in west Texas: (1) a 15-year Power Purchase Agreement with East Pecos Solar, LLC, a subsidiary of Southern Company who purchased the project from the original developer, First Solar Development, LLC, for up to 118.5 MW of capacity from a facility constructed in east Pecos County, commercial operation of which began in April 2017; (2) a 25-year Power Purchase Agreement with Midway Solar LLC, a subsidiary of DESRI, who purchased the asset from 174 Power Global, a subsidiary of Hanwha Q Cells for up to 178.5 MW of capacity from a facility located in east Pecos County; commercial operation began in December 2018; and (3) a 25-year Power Purchase Agreement with CED Upton County Solar LLC, a subsidiary of Consolidated Edison Development, for up to 157.5 MW of capacity from a facility in Upton County; commercial operation under this project began in August of 2017.

In June 2017 Austin Energy signed a 15-year Power Purchase Agreement with Karankawa Wind LLC, a subsidiary of Avangrid Renewables, LLC, for the sale and purchase of up to 206.6 MW of wind energy from a facility under construction in San Patricio and Bee Counties Texas. Commercial operation began in December 2019.

In December 2017 Austin Energy entered into a Power Purchase Agreement with SE Aragorn, LLC, an SB Energy (formerly Intersect Power) subsidiary, for the sale and purchase of solar power generated from a planned 180 MW project in Culberson County, Texas. Commercial operations commenced on December 31, 2021.

In October 2018, Austin Energy and East Blackland Solar Project, LLC, a Duke Energy (formerly Recurrent Energy) subsidiary, entered into a 15 year Power Purchase Agreement for the purchase and sale of energy produced from a 144 MW solar facility to be constructed in Travis County, Texas near the town of Pflugerville. Commercial operation commenced in July, 2021.

In March 2019, Austin Energy signed a 20-year Power Purchase Agreement with a subsidiary of Pattern Energy Group, Inc. for the purchase and sale of 170 MW of energy output from a wind project located in Kenedy County, Texas. Commercial operation started in May, 2021.

In May 2019, Austin Energy and Pandora Solar, LLC, a subsidiary of NextEra Energy, entered into a 15-year contract covering the purchase and sale of energy generated from a 250 MW solar project to be constructed in Wilson County, Texas. Commercial operation is expected by the end of 2023.

In August 2019, Austin Energy and RWE Renewables (successor to E.ON Climate and Renewables) entered into a 12 year Power Purchase Agreement providing for the purchase and sale of energy generated from the 200 MW Raymond Wind facility located in Willacy and Cameron Counties, Texas. Commercial operations commenced in December 2020.

In December 2019, Austin Energy and an ENGIE subsidiary entered into a 25-year Power Purchase Agreement for the purchase and sale of energy generated from a 1.8 MW rooftop solar project located at the City-owned and operated Austin-Bergstrom International Airport. Commercial operations began in May 2021.

With respect to the contracts described above, Austin Energy is obligated to purchase all of the energy generated by each of the facilities up to the maximum amount as described above, to the extent energy is so generated. Many of the facilities

described above do not run at full capacity for 24 hours a day; therefore, Austin Energy may be purchasing energy in amounts less than the maximum amounts that are shown above.

Electric Transmission and Distribution System Statistics

The transmission and distribution plant statistics of Austin Energy as of August 31, 2022 are as follows:

	<u>Number of Substations</u>	<u>Miles of Lines</u>	<u>Kilovolts</u>
Transmission	16	633	345/138/69
Distribution	62	12,044	35/12.5/7.2
Overhead Primary		2,370	
Overhead Secondary		2,488	
Underground Primary		3,670	
Underground Secondary		3,516	

The City and the LCRA entered into the FPP Transmission Agreement dated March 17, 1977, setting forth the duties, obligations and responsibilities with respect to the transmission of energy from FPP. See “DESCRIPTION OF AUSTIN ENERGY’S PHYSICAL PROPERTY – Fayette Power Project” in this document.

The City has also entered into the STP 345 kV Transmission Line Agreement dated as of January 1, 1976 with the participants in STP, setting forth the duties, obligations and responsibilities with respect to transmission facilities associated with STP. See “DESCRIPTION OF AUSTIN ENERGY’S PHYSICAL PROPERTY – South Texas Project” in this document.

Austin Energy is interconnected with LCRA, CenterPoint Energy (formerly Houston Lighting & Power Co.), CPS Energy and American Electric Power. Austin Energy is a member of ERCOT. As a participant in ERCOT, Austin Energy is able to provide and be provided with a reliable backup supply of generation under normal and emergency conditions. The diversification of fuel sources of the member systems increases the potential for economic interchanges among the respective systems. Sale and purchase transactions generally maximize the use of less expensive fuel sources by all members of the interconnected system.

Until recently, electric utilities operating in the State have not had any significant interstate connections, and hence investor-owned utilities have not been subject to regulation by the Federal Energy Regulatory Commission (“FERC”) and its predecessor agencies under the Federal Power Act. Over the past several years, however, successful efforts have been made to provide interstate connections. These efforts have resulted in protracted judicial and administrative proceedings involving ERCOT members. The settlement of such proceedings permits the ERCOT members to avoid federal regulation as the result of any interstate interconnection with another interstate connected utility.

ISO 9001 Registration

Austin Energy’s two major business units have earned their International Organization for Standardization (ISO) 9001 registrations. ISO 9001 is a series of international quality standards designed to ensure that all activities related to providing and delivering a product or service are appropriately quality assured. To earn the registration, applicants must develop a Quality Management System that reflects standards of performance for every major process, in this case, related to building, operating, maintaining, and repairing the Electric Utility System.

- The Electric Systems Field Operations and Electric Systems Engineering and Technical Services business units – responsible for the construction, maintenance and operation of the City’s Electric Utility System - became the first of any utility in the nation to earn ISO-9001:2000 registration. Auditors from the National Standards Authority of Ireland (“NSAI”), the worldwide entity that certifies ISO quality management program, issued the registration on January 3, 2008. The certification followed a rigorous four-day review in December 2007 of the Electric Systems Quality Management System by NSAI auditors. In June 2012, Electric Systems Quality Management System was re-registered under the ISO- 9001:2008 standard. More recently, in June 2022, Austin Energy’s Electric Systems Quality Management System was recommended for continued certification under the ISO-9001: 2015 standard, by NSAI.
- In June 2010, Austin Energy’s Customer Care Services (“CCS”) business unit was also registered as an ISO 9001:2008 organization. CCS is responsible for receiving customer requests, responding to customer requests, billing customers, processing customer payments, and managing customer accounts. In June 2013, Austin Energy’s CCS Quality

Management System was re-registered under the ISO-9001: 2008 standard. In February 2017, Austin Energy’s CCS Quality Management System was upgraded to certification under the ISO-9001:2015 standard. At the same time, Austin 311, received initial certification under the ISO–9001:2015 standard – the first distinction of this kind for a 311 Contact Center in the United States. In February 2019, both the CCS Quality Management System, and Austin 311’s Quality Management System were recertified to ISO-9001:2015, and combined into a single registration. March of 2022 recertification was successfully granted.

These business units continue to maintain their respective certifications.

Conventional System Improvements

Austin Energy’s five-year Capital Improvements Spending Plan (the “Capital Plan”), which was approved by the City Council in August 2022, addresses approximately \$1.13 billion of capital spending needs for fiscal years 2023-2027. Funding for the Capital Plan is expected to be provided from revenues of Austin Energy and the issuance of debt, including short-term commercial paper and long-term revenue bonds. Austin Energy currently anticipates that approximately 48% of the five-year Capital Plan will be debt funded and 52% will be funded from revenues.

The Capital Plan provides continued funding for distribution and street lighting additions, including line extensions for new service, system modifications for increased load, and relocations or replacements of distribution facilities in the central business district and along major thoroughfares. It also includes funding for transmission, generation and other general additions. Major projects in the Capital Plan include the construction of a new East Village substation, Southeast substation, Kramer Lane substation as well as the purchase of Austin Energy’s new warehouse.

Five Year Capital Spending Plan

<u>\$ in Millions</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>Total</u>
Distribution	\$105.43	\$83.05	\$87.43	\$72.57	\$97.61	\$446.09
Distribution Substation	\$16.58	\$22.61	\$15.86	\$10.23	\$3.37	\$68.65
Transmission	<u>\$64.93</u>	<u>\$65.11</u>	<u>\$84.91</u>	<u>\$78.16</u>	<u>\$55.73</u>	<u>\$348.84</u>
Total Electric Service Delivery	<u>\$186.94</u>	<u>\$170.77</u>	<u>\$188.20</u>	<u>\$160.96</u>	<u>\$156.71</u>	<u>\$863.58</u>
Power Production	\$56.76	\$40.90	\$28.08	\$16.36	\$11.96	\$154.06
Customer Service Billing & Metering	\$.05	\$1.00	\$0	\$0	\$0	\$1.05
Facilities, Technology & Support Services	<u>\$39.74</u>	<u>\$55.26</u>	<u>\$5.50</u>	<u>\$3.60</u>	<u>\$2.74</u>	<u>\$106.84</u>
Total	<u>\$283.49</u>	<u>\$267.93</u>	<u>\$221.78</u>	<u>\$180.92</u>	<u>\$171.41</u>	<u>\$1,125.53</u>

Austin Energy Smart Meter Installation Program

Austin Energy maintains an Advanced Metering Infrastructure (“AMI”) program. A component of the AMI program is the installation of AMI meters, which send and receive commands related to acquiring consumptive and diagnostic data, including daily meter reads via radio signals. Austin Energy has approximately 542,407 AMI meters: 487,294 2-way communicating residential meters and 55,113 2-way communicating commercial and industrial meters. As of 2015, Austin Energy has deployed a full 2-way AMI system. Continued improvements in AMI technology utilized at Austin Energy have provided demonstrable enhancements to customer service and reliability while reducing operating costs.

AUSTIN ENERGY’S STRATEGIC PLANS, GOALS AND POLICIES

Strategic Plan

Austin Energy’s mission is “*To safely deliver clean, affordable, reliable energy and excellent customer service.*” To achieve its mission, Austin Energy adopted a 2020-2025 strategic plan. (the “Strategic Plan”). The Strategic Plan identifies adaptive strategies to proactively address customer expectations, deploy innovative technology, provide responsible energy services and ensure Austin Energy is well prepared for the challenges ahead.

The Strategic Plan is informed by several sources, including Austin Energy’s Technology Roadmap, Facilities Masterplan, Resource, Generation Plan and Climate Protection Plan, and the City’s strategic planning efforts. The primary focus of the

Strategic Plan is to improve Austin Energy’s competitive position while realizing its vision of “*Powering a cleaner, brighter future with customer-driven, community-focused solutions.*”

The Strategic Plan addresses six overarching goals that are designed to enable Austin Energy to realize its vision. Customer Experience, Environmental Leadership, and Grid Resilience focus on delivering value to the customer and providing customer choice in the products and services offered. Employee Experience and Financial Health provide an internal focus on maintaining and increasing the value provided to employees, customers and the communities served. Finally, Health and Safety has both an internal and external focus, speaking to Austin Energy’s responsibility to always operate safely.

Each goal is overseen by a goal manager and a cross-functional team of staff who are executing the projects to achieve their goal. Each goal manager is partnered with an executive sponsor, a member of the Austin Energy executive team, who is responsible for ultimately achieving the goal.

To measure performance over time, thirteen Key Performance Indicators (“KPIs”), and a target value for each KPI, have been established. Austin Energy publicly reports its strategic progress through both the Strategic Plan 2020-2025 Tableau Dashboards and a monthly strategic project update report that is sent to the Chief Operating Officer.

Austin Energy Resource, Generation, and Climate Protection Plan to 2030

On August 12, 2019 the Electric Utility Commission of the City created the Resource Plan Working Group (Working Group) to provide leadership and guidance to Austin Energy and the City Council on technical and market issues to meet environmental, efficiency and goals established by the City Council.

The Austin Energy Resource, Generation and Climate Protection Plan to 2030 (the “2030 Plan”) outlines the Working Group’s recommendations and strategic goals and represents an extensive effort of the Austin community working through the Working Group and Austin Energy staff. The 2030 Plan is based on analysis of the risks, costs and opportunities to meet future demand for electricity. The 2030 Plan is intended to be flexible and dynamic to respond to changing circumstances, including customer electric load, economic conditions, energy prices, and technological development, while strictly committing to firm carbon reductions.

The 2030 Plan updates and replaces the Austin Energy Resource, Generation and Climate Protection Plan to 2027. To the extent the provisions of the 2030 Plan are inconsistent with prior resource plans for Austin Energy or related City Council resolutions adopting such plans, the 2030 Plan will prevail.

Vision Statement – This 2030 Plan commits Austin Energy to continuing to provide affordable, dependable, and safe electricity service to residents and businesses while pursuing the City’s climate protection and sustainability goals and the directives set forth in the Austin Climate Emergency Resolution. As a part of its commitment, Austin Energy will maintain an energy supply portfolio sufficient to offset customer demand while eliminating carbon and other pollutant emissions from its electric generation facilities within the limitations set by the City Council. Austin Energy commits to providing access to the benefits of this 2030 Plan for limited-income communities and communities of color.

Affordability – Affordability of electricity service for Austin Energy customers is an overarching goal of the 2030 Plan. Developments in the wholesale energy market in recent years have demonstrated that if Austin Energy carefully manages its portfolio it can achieve its environmental goals economically, efficiently and affordably. Austin Energy will do so with a commitment to the specific affordability metrics set by the City Council.

Generation Resource Objectives – As of March 2020, Austin Energy generates energy on an annualized basis equal to approximately 63% of its total customer load using carbon-free resources, 40% from renewable resources and 23% from the South Texas Project nuclear facility. As explained in more detail below, under the 2030 Plan, Austin Energy will eliminate its existing emissions through retirement of its carbon-emitting generation plants and anticipates purchasing additional, cost-effective, renewable energy resources.

No New Carbon Generating Assets – Austin Energy will seek to avoid purchasing, contracting for or building long-term generation or storage resources that emit new carbon, or any additional nuclear power generation resources.

Carbon Reduction Goals – Austin Energy has established a goal to have 86% of its electricity generation carbon-free by year-end 2025, 93% carbon-free by year-end 2030, and all generation resources carbon-free by 2035. Austin Energy commits

to advance these goals more rapidly, if feasible given technological developments, affordability, and risks to Austin Energy customers.

Additional Renewable Generation Facilities – Austin Energy will utilize its annual RFP process to seek the best available renewable energy and electricity storage opportunities to add to Austin Energy’s generation resource portfolio as necessary to meet 2030 Plan goals and to assess market trends for future planning. With the exception of the Local Solar goals, the 2030 Plan does not designate the components of Austin Energy’s renewable energy portfolio. Austin Energy will plan for least-cost and least-risk acquisition of renewable resources and electricity storage as available in the energy market and as necessary to meet 2030 Plan goals.

Specific Actions to Achieve Generation Resource Objectives

Fayette Power Project – Austin Energy seeks to maintain its current target to cease operation of Austin Energy’s portion of the Fayette Power Project coal plant by year-end 2022. Austin Energy will continue to recommend to the City Council the establishment of any cash reserves necessary to provide for that schedule. As an update to the plan, Austin Energy plans to continue operating its share of the Fayette Power Project beyond 2022 but minimize the scheduled generation utilizing the REACH plan.

Decker Creek Power Station – Austin Energy seeks to maintain its current target to cease operations and begin retirement of existing Decker Steam gas-fired units, assuming ERCOT approval, with Steam Unit 1 ceasing operations after summer peak of 2020 and Steam Unit 2 ceasing operations after summer peak of 2021. As planned, Unit 1 ceased operations in September 2020 and Unit 2 ceased operations in March 2022.

REACH for Carbon Free by 2035 – Upon City Council approval of the 2030 Plan, Austin Energy anticipates adopting a new market-based approach to accelerate reduction of carbon emissions by its legacy generators in the most economic manner available. This approach, known as *Reduce Emissions Affordably for Climate Health* (“REACH”), will incorporate a cost of carbon in the generation dispatch price, allowing Austin Energy to reduce generation output during low-margin periods but keep the resources available for high-margin periods. Austin Energy anticipates applying an annual amount of approximately 2% of the prior year’s PSA to implement REACH. Austin Energy will continue to adhere to the City Council affordability metrics through active portfolio management. The REACH plan is expected to reduce the utility’s carbon emissions by 30% or approximately 4 million metric tons between approval of this 2030 Plan and Austin Energy’s exit from FPP. Thereafter, the REACH plan is expected to reduce carbon emissions by 8% each year, while maintaining the flexibility to protect our customers’ rates in periods of high prices in the wholesale market, until achieving zero carbon emissions by 2035. Austin Energy will report semi-annually to the Electric Utility Commission and the City Council the realized reduction in carbon emissions from the REACH plan’s implementation.

Local Solar Resources – In addition to the large-scale energy resources discussed above, Austin Energy seeks to:

1. Achieve a total of 375 MW of local solar capacity by the end of 2030, of which 200 MW will be customer-sited (when including both in-front-of-meter and behind-the-meter installations).
2. Continue a shared solar pilot program for multi-family housing and upon development of an automated electronic billing system, allow for expansion of this program.
3. Provide moderate and limited-income customers preferential access to community solar programs.

Energy Efficiency and Demand Response – In addition to the generation resources described above, Austin Energy will sponsor energy efficiency and demand response initiatives aimed to reduce overall system load and reduce peak demand as follows:

1. Achieve energy efficiency savings equal to at least 1% per annum of retail sales, targeting a total of at least 1,200 MW of demand side management (energy efficiency and demand response) capacity by 2030, including a target of 225 MW of economic peak demand response capacity by 2030.
2. Target serving at least 25,000 residential and business customer participants per year for all CES programs (Energy Efficiency, Austin Energy Green Building, Demand Response and Solar) with at least 25% of those customers being limited-income customers.
3. Commit to achieving 30 MW of local thermal storage by 2027 and 40 MW of local thermal storage by 2030.
4. Allow near real-time access to hourly energy use data for Austin Energy customers via the automated meter infrastructure, including compatibility with Green Building products and services.
5. Continue to move forward on energy code and green building development, including assessing the 2021 International Energy Conservation Code, and specific solar-ready, EV-ready, electric building-

ready and net-zero requirements for commercial and residential construction for possible adoption in future codes.

Electric Transportation – Austin Energy will pursue the Climate Protection Plan Goals and Austin Mobility Plan and expansion of Austin Energy revenue base by:

1. Supporting private-public partnerships that promote, market, and provide electric vehicle support to assist in the transition to electric transportation.
2. Support the City of Austin Fleet Services' electrification plan.
3. Evaluate equitable growth of public and private charging station deployments by offering rebates, operational support, outreach, and special public charging rates that includes support for limited-income populations.

Financial Policies

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

- Current revenue, which does not include the beginning fund balance, will be sufficient to support current expenditures (defined as "structural balance"). However, if projected revenue in future years is not sufficient to support projected requirements, the ending balance may be budgeted to achieve structural balance.
- Net revenues generated by Austin Energy shall be used for General Fund transfers, capital investment, repair and replacement, debt management, competitive strategies, and other Austin Energy funding requirements. Once these obligations have been met, any remaining net revenues of the Electric Utility System will be deposited in the following order into Austin Energy's reserve funds until each reserve reaches its minimum funding level: Working Capital, Contingency Reserve, Power Supply Stabilization Reserve, and then Capital Reserve. The sum of the four reserves shall be the cash equivalent of no less than 150 days of operating and maintenance expense.
- Austin Energy shall maintain an operating cash equivalent (also known as working capital) of 60 days of budgeted operations and maintenance expense, less power supply costs, plus the amount of additional monies required to bring the sum of all Austin Energy's reserves to no less than 150 days of operating and maintenance expense. As of June 30, 2022, Austin Energy's operating cash balance was \$222 million and Days Cash on Hand ("DCOH") was 141 days.
- Austin Energy shall maintain a minimum quick ratio of 1.50 (current assets less inventory divided by current liabilities). The source of this information shall be the City's Annual Comprehensive Financial Report ("ACFR").
- Austin Energy shall maintain either bond insurance policies or surety bonds issued by highly rated ("AAA") bond insurance companies, a funded debt service reserve, or a combination for its existing revenue bond issues, in accordance with the bond covenants of the Combined Utility Systems Revenue Bonds Covenant.
- Debt service coverage of a minimum of 2.0x shall be targeted for the Electric Utility System's revenue bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x.
- The Contingency Reserve shall be created and established for unanticipated or unforeseen events that reduce revenue or increase obligations, such as costs related to a natural disaster, extended unplanned plant outages, insurance deductibles, or unexpected costs created by Federal or State legislation. The Contingency Reserve may be used to fund unanticipated power supply expenses only after the Power Supply Stabilization Reserve has been fully depleted. The Contingency Reserve shall maintain an operating cash equivalent of 60 days of budgeted operations and maintenance expense, less power supply costs. In the event any portion of the Contingency Reserve is used, the balance will be replenished to the targeted funding level within two fiscal years.
- The Capital Reserve shall be created and established for providing extensions, additions, replacements, and improvements to the Electric Utility System. The Capital Reserve shall maintain a minimum cash equivalent of 50% of the previous year's depreciation expense of the Electric Utility System.
- The Power Supply Stabilization Reserve shall be created and established for mitigating power supply cost volatility which causes frequent variation in the Power Supply Adjustment. The Power Supply Stabilization Reserve shall maintain a cash equivalent of 90 days of net power supply costs. Net power supply costs shall be defined as costs eligible for inclusion in the Power Supply Adjustment. The Power Supply Stabilization Reserve shall be funded using net revenues after meeting other obligations and consistent with the flow of funds schedule.

- The General Fund Transfer shall not exceed 12% of Austin Energy’s three-year average operating revenues less power supply costs and onsite energy resource revenue, calculated using the current fiscal year estimate and the previous two fiscal years’ actual revenues less power supply costs and on-site energy resource revenue from the City’s ACFR.
- Electric rates shall be designed to generate sufficient revenue, after consideration of interest income and miscellaneous revenue, to support (1) the full cost (direct and indirect) of operations including depreciation, (2) debt service, (3) the General Fund Transfer, (4) equity funding of capital investments, (5) requisite deposits of all reserve accounts, (6) sufficient annual debt service requirements of the Parity Electric Utility Obligations and other bond covenant requirements, if applicable, and (7) any other current obligations. In addition, Austin Energy may recommend to the City Council in the budget directing excess net revenues for the General Fund Transfer, capital investment, repair and replacement, debt management, competitive strategies and other Austin Energy requirements such as working capital. In addition to these requirements, electric rates shall be designed to generate sufficient revenue, after consideration of interest income and miscellaneous revenue, to ensure a minimum debt service coverage of 2.0x on revenue bonds of the Electric Utility System. A rate adequacy review shall be completed every five years, at a minimum, through performing a cost of service study.
- A decommissioning trust shall be established external to the City to hold the proceeds for monies collected for the purpose of decommissioning the STP. An external investment manager may be hired to administer the trust investments. As of June 30, 2022, the market value of the investments in the trust was approximately \$242 million.
- A Non-Nuclear Plant Decommissioning Fund shall be established to fund plant retirement. The amount set aside will be based on a decommissioning study of the plant site. Funding will be set aside over a minimum of four years prior to the expected plant closure.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Rate Regulation

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

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

ERCOT serves as the Independent System Operator (“ISO”) for the ERCOT region of Texas. ERCOT was certified in 2000 to serve as the ISO by the PUCT under Senate Bill 7, adopted by the State legislature and signed into law in 1999 (“SB7”). The ISO’s responsibilities as detailed in SB7 are to (1) ensure nondiscriminatory access to the ERCOT transmission system; (2) ensure the reliability and adequacy of the ERCOT network; (3) ensure timely and accurate customer switching; and (4) ensure the accuracy of accounts among wholesale buyers and sellers. Austin Energy is a member of ERCOT, and Austin Energy staff are active in the ERCOT stakeholder process. ERCOT membership includes stakeholders from all segments of the Texas electric market. ERCOT is responsible for the management and oversight of the day-to-day operations of the transmission network and wholesale market settlement. Under PURA, the PUCT has jurisdiction over ERCOT and oversees its operations and market participant compliance with ERCOT Protocols, Operating Guides, and Other Binding Documents.

SB7 also amended PURA to provide for retail deregulation of the investor-owned electric utilities in the ERCOT region beginning January 1, 2002. SB7 allows local authorities to choose whether to bring retail competition to their Municipally Owned Utilities (“MOUs”) and leaves key municipal utility decisions (like local rate setting and utility policies) in the hands of those who have a stake in the local community. Once a resolution to “opt in” for retail competition is adopted by the MOU’s governing body, the decision is irrevocable. The City has not opted in to retail competition. As a result, Austin Energy is the sole retail electric power provider within its service territory and retail competition is not allowed.

ERCOT Wholesale Market Design

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

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

The PUCT is currently considering changes to the ERCOT wholesale market to address reliability and enhance stability for generator revenue. Austin Energy staff closely monitors PUCT activities and provide comments to the PUCT regarding possible market design changes.

Federal Rate Regulation

Austin Energy is not subject to the jurisdiction of the FERC under sections 205 and 206 of the Federal Power Act and is not subject to Federal statutes and regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of Austin Energy. Nevertheless, Austin Energy submits various reports to FERC and participates in ERCOT, a stakeholder organization established under State law that is similar to the Regional Transmission Organizations envisioned in FERC Order No. 2000.

Pursuant to the Energy Policy Act of 2005, Austin Energy is subject to certain FERC authority on reliability. On July 20, 2006, FERC certified the North American Electric Reliability Corporation (“NERC”) as the nation’s Electric Reliability Organization responsible for developing and enforcing mandatory electric reliability standards under FERC’s oversight. Every five years, FERC reviews and approves the Delegation Agreement between NERC and Texas Reliability Entity, Inc. (“Texas RE”), which governs the responsibilities of Texas RE as the Regional Entity responsible for overseeing the NERC reliability standards in the ERCOT region. The PUCT retains authority over Austin Energy’s compliance with the ERCOT protocols and other reliability-related rules. Austin Energy has established a Reliability Compliance Program to examine the requirements for compliance with reliability standards and to evaluate and implement any needed changes to systems and procedures. Austin Energy’s compliance with reliability standards is verified through external audits and other oversight processes conducted by Texas RE.

Environmental Regulation - General

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

Environmental Regulation Related to Air Emissions

Cross-State Air Pollution Rule and Clean Air Interstate Rule

Austin Energy’s large facilities have been complying with the Cross-State Air Pollution Rule (“CSAPR”) since 2015. On September 7, 2016, EPA finalized an update to the CSAPR rule. The final rule lowered the State’s Phase II ozone season budgets by approximately an additional 10%. Allowance purchasing needs for 2022 (if any) have not been determined but

are expected to be either not required or much lower with the retirement of Decker unit 2 in 2022. A proposed update to the CSAPR rule released in early 2022 may change how allowances are allocated to utilities subject to the rule, with the final rule expected from US EPA by end of 2022.

Environmental Regulation Related to Water Discharges

Cooling Water Intake Structures

Section 316(b) of the Clean Water Act establishes requirements to minimize the impact of cooling water intake structures on aquatic organisms. The EPA promulgated revised standards in 2014 that require cooling water intake structures to be designed to limit organism impingement and entrainment. The rule applies to the City's Decker Creek Power Station and FPP. However, both facilities were built on reservoirs specifically made for cooling, which the rule effectively exempts from some of the major requirements. Decker was granted an exemption by the TCEQ because it is a Closed-Cycle Recirculating System (CCRS). The wastewater TPDES permit issued to Decker did not include any conditions related to Section 316(b). The Nacogdoches Biomass Facility has a TPDES permit that includes Section 316(b) requirements. The requirements for the Nacogdoches Biomass Facility include impingement and entrainment studies to be done once during the life of the TPDES permit and quarterly intake velocity measurements. TCEQ has determined that the Nacogdoches Biomass Facility complies with Best Technology Available. There have been no issues with respect to Section 316(b) compliance at the facility. TCEQ determined that FPP complies with BTA and is also a CCRS system. There have been no Section 316(b) compliance issues at FPP. As of 2022, this rule no longer applies to Decker as the facility no longer withdraws river/lake water and Austin Energy is recommending its removal in a minor amendment to the facility's TPDES permit. Overall risk associated with this rule is low at this time.

Environmental Regulation Related to Hazardous Wastes and Remediation

In January 2015, the EPA promulgated a rule that sets new requirements for the storage of Coal Combustion Residuals ("CCRs") and potentially reclassifies those CCRs as a hazardous waste when stored in a landfill. FPP, like all coal burning plants, generates CCRs such as fly ash, bottom ash and gypsum. FPP currently recycles the majority of its CCR for beneficial use, such as for road base or as cement substitutes, with the remaining fractions stored onsite in a landfill for possible future use (recycle rates depend on market demand for the product). In 2011, Austin Energy and the LCRA completed a project to permanently close a "wet" ash pond where ash slurry had previously been sent for dewatering before recycle, and converted ash handling to a dry system. The final rule does not designate CCRs as hazardous and largely minimizes any requirements on existing CCR storage units currently at FPP. In June 2021, EPA approved the Texas partial CCR state permit program which allows the TCEQ to issue CCR permits and enforce permit violations. The Texas program contains all the elements of the federal rule, including requirements for location restrictions, design and operating criteria, groundwater monitoring and corrective action, closure requirements and post-closure care, recordkeeping, notification and internet posting requirements. FPP is in compliance with existing CCR rule requirements and Austin Energy does not anticipate any significant future costs associated with this rule at this time.

Nuclear Regulation

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

The South Texas Nuclear Power Plant, in which the City owns a partial interest ("STP"), is protected by provisions of the Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities even though the statutory protections for many non-commercial reactors are different. The Price-Anderson Act is set to expire on December 31, 2025. As of June 10, 2021, the limit of liability under the Price-Anderson Act for licensees of nuclear power plants is \$13.5 billion per unit per incident, and the maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is \$137.609 million per unit, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at \$20.496 million per year per reactor for each nuclear incident. The City and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests in STP. For purposes of the assessments, STP has two licensed reactors. The participants (including the City) have purchased the maximum limits of nuclear liability insurance, as required by law,

and have executed indemnification agreements with the NRC, in accordance with the financial protection requirements of the Price-Anderson Act.

A Master Worker Nuclear Liability policy, with a maximum limit of \$450 million (as of June 10, 2021) for the nuclear industry as a whole, provides protection from nuclear-related claims of workers employed in the nuclear industry after January 1, 1988 who do not use the workers' compensation system as sole remedy and bring suit against another party.

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

The owners of STP currently maintain \$2.75 billion of nuclear property insurance, which is above the legally required amount of \$1.06 billion for such nuclear losses (\$2.75 billion is the maximum amount available for purchase from Nuclear Electric Insurance Limited ("NEIL")). Nuclear property insurance consists of \$1.5 billion in primary nuclear property damage insurance and shares \$1.25 billion of excess nuclear property damage insurance, both subject to a retrospective assessment being paid by all members of NEIL. In the event that property losses as a result of an accident at any nuclear plant insured by NEIL warrants additional funds needed by NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for accidental outage insurance, primary and excess nuclear property damage insurance is \$51.974 million during any one policy year with insurance premiums being prorated per member share. This number changes annually and is calculated as 10 times the current premium for each policy. A small portion of the primary nuclear property damage insurance is provided by European Mutual Association for Nuclear Insurance ("EMANI") which is also subject to retrospective assessment of up to \$1.991 million, which is six times the current calendar year premium.

The NRC regulations set forth minimum amounts required to demonstrate reasonable financial assurance of funds for decommissioning of nuclear reactors. Beginning in 1990, each holder of an operating license is required to submit to the NRC a bi-annual report indicating how reasonable assurance would be provided. The City provides the required report on its share of STP to the NRC which is based on the minimum amount for decommissioning, excluding waste disposal, as required by the NRC regulations of \$105 million per unit (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The 2020 report provided by the City based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A, and as of October 2016, transferred the trust to Wilmington Trust, National Association. The City has been collecting for its share of anticipated decommissioning activities, which may begin as early as 2047, through its rates since Fiscal Year 1989. The market value of assets held in the decommissioning trust as of June 30, 2022 was approximately \$242 million. For Fiscal Year 2022, Austin Energy estimates that it will continue to collect approximately \$5 million for nuclear decommissioning expense. In 2018 dollars, the minimum amount for decommissioning the City's share of STP is \$397 million. See "INVESTMENTS – Legal Investments" in this document.

Events Affecting the Nuclear Industry

On March 11, 2011, a region of Japan sustained significant loss of life and destruction because of a major earthquake and resulting tsunami. Included in the damage areas were the Fukushima nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC began looking into the safety aspects of nuclear plant operations in the United States with the objective of assuring that events such as those at the Fukushima plant do not occur in this country. On August 31, 2012, the NRC issued Interim Staff Guidance ("ISG") to U.S. nuclear power plants to ensure proper implementation of three orders the agency issued in March 2012, in response to lessons learned from the Fukushima Daiichi nuclear accident. The ISGs represent acceptable approaches to meeting the orders' requirements before their December 31, 2016 compliance deadline.

The ISGs are not mandatory, but U.S. nuclear power plants would have to seek NRC approval to follow a different compliance approach. As detailed below, all required actions by STP related to these orders have been completed and accepted by the NRC.

The first NRC order requires all U.S. plants to better protect portable safety equipment put in place after the 9/11 terrorist attacks and to obtain sufficient equipment to support all reactors and spent fuel pools at a given site simultaneously. The ISG for this order endorses the industry's updated guidance for dealing with a scenario that knocks out all of a plant's alternating current electric sources. The updated approach includes the use of backup power supplies for devices that would

burn off accident-generated hydrogen before it could accumulate to explosive levels. The staff concludes the updated approach will successfully implement the first NRC order. The ISG is available in the Agencywide Document Access and Management System (“ADAMS”) under accession number ML12229A174; the associated industry document is available under accession number ML12242A378. STP has completed engineering design and installation of equipment and modifications to address these requirements, and has had the final closeout inspection by the NRC. The NRC has accepted STP’s completion letter and no further action is required for this order.

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

The third NRC order requires all plants to install enhanced equipment for monitoring water levels in each plant’s spent fuel pool. The ISG for this order largely endorses an industry document that the staff concludes will successfully implement the order. The ISG defines in more detail the water levels the new equipment must accurately report, as well as standards for equipment mounting, powering and testing, personnel training and other criteria. The final ISG notes several areas, including instrument qualifications and instrument protection from falling debris, where the industry revised its initial approach. An exception in the staff’s endorsement sets specific seismic criteria to ensure the instruments will survive an earthquake. This ISG is available in ADAMS under accession number ML12221A399; the associated industry document is available under accession number ML12240A304. STP has completed engineering design and installation of equipment and modifications to address these requirements and has had the final closeout inspection by the NRC. The NRC has accepted STP’s completion letter and no further action is required for this order.

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**COMPARATIVE ANALYSIS OF ELECTRIC UTILITY SYSTEM
AND WATER AND WASTEWATER SYSTEM OPERATIONS
OCTOBER 1, 2016 TO SEPTEMBER 30, 2021**
(in thousands rounded)

INCOME	Fiscal Year Ended September 30				
	2021	2020	2019	2018	2017
Revenue	\$1,844,585	\$1,959,941	\$2,031,435	\$1,998,556	\$1,974,948
Operating Expense	<u>(1,253,026)</u>	<u>(1,332,726)</u>	<u>(1,366,470)</u>	<u>(1,334,151)</u>	<u>(1,252,196)</u>
Balance Available for Debt Service	591,559	627,215	664,965	664,405	722,752
Depreciation and Amortization Expense	<u>(413,388)</u>	<u>(413,711)</u>	<u>(327,840)</u>	<u>(290,323)</u>	<u>(284,451)</u>
Earnings Before Interest Expense	178,171	213,504	337,125	374,082	438,301
Interest Incurred on Debt	(152,752)	(154,451)	(148,596)	(148,659)	(163,851)
Other	<u>6,131</u>	<u>2,728</u>	<u>(11,113)</u>	<u>(13,061)</u>	<u>(12,505)</u>
INCOME (LOSS) BEFORE TRANSFERS (1) (2) (3) (4)	<u>\$19,288</u>	<u>\$61,781</u>	<u>\$177,416</u>	<u>\$212,362</u>	<u>\$261,945</u>
PERCENTAGES					
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expense	<u>(67.93%)</u>	<u>(68.00%)</u>	<u>(67.27%)</u>	<u>(66.76%)</u>	<u>(63.40%)</u>
Balance Available for Debt Service	32.07%	32.00%	32.73%	33.24%	36.60%
Depreciation and Amortization Expense	<u>(22.41%)</u>	<u>(21.11%)</u>	<u>(16.14%)</u>	<u>(14.53%)</u>	<u>(14.40%)</u>
Earnings Before Interest Expense	9.66%	10.89%	16.60%	18.72%	22.19%
Interest Incurred on Debt	(8.28%)	(7.88%)	(7.31%)	(7.44%)	(8.30%)
Other	<u>0.33%</u>	<u>0.14%</u>	<u>(0.55%)</u>	<u>(0.65%)</u>	<u>(0.63%)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1.05%</u>	<u>3.15%</u>	<u>8.73%</u>	<u>10.63%</u>	<u>13.26%</u>

- (1) Income before transfers to the General Fund and Other Funds for the 12 months ended September 30, 2021. Transfers are as follows (in thousands rounded):
Transfer to General Fund: \$160,544
Transfers to Other Funds: \$19,052
- (2) Excludes Combined Utility Funds' deferred costs recovered in future years of \$202,482 for the 12 months ended September 30, 2021 (in thousands rounded).
- (3) Excludes capital contributions of \$125,004 for the 12 months ended September 30, 2021 (in thousands rounded).
- (4) Excludes other post-employment benefits ("OPEB") accrual of \$87,608, net pension liability accrual of \$9,954 and amortization of excess consideration of \$16,442 for twelve months ended September 30, 2021.
- Source: City Financial Services Department - Financial Accounting and Reporting.

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OPERATING STATEMENT
ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM
(in thousands rounded)

	Fiscal Year Ended September 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUE					
ELECTRIC UTILITY					
Domestic and Rural Residential	\$459,453	\$499,031	\$499,861	\$489,985	\$456,576
Commercial General	625,816	687,295	745,974	711,457	719,532
Sales to Other Utilities	15,813	30,354	47,092	50,482	44,331
Transmission	84,029	83,791	81,734	78,616	78,049
Rent from Electric Property	12,150	10,227	7,736	3,620	3,204
Customers' Forfeited Discounts and Penalties	3,749	2,611	5,540	5,966	5,424
Miscellaneous	<u>\$70,798</u>	<u>\$60,247</u>	<u>\$59,362</u>	<u>\$60,397</u>	<u>\$55,016</u>
Total Electric Utility	<u>\$1,271,808</u>	<u>\$1,373,556</u>	<u>\$1,447,299</u>	<u>\$1,400,523</u>	<u>\$1,362,132</u>
WATER UTILITY					
Water Services	\$282,932	\$288,337	\$275,095	\$290,868	\$312,491
Miscellaneous Revenue	8,099	12,162	8,444	6,528	5,458
Revenue Stability Fee	2,042	2,073	1,901	4,850	5,098
Reserve Fund Surcharge	-	-	-	-	-
Reclaimed Revenue	<u>2,221</u>	<u>2,499</u>	<u>2,013</u>	<u>1,936</u>	<u>1,515</u>
Total Water Utility	<u>\$295,294</u>	<u>\$305,071</u>	<u>\$287,453</u>	<u>\$304,182</u>	<u>\$324,562</u>
WASTEWATER UTILITY					
Wastewater Services	\$264,020	\$256,298	\$258,349	\$265,798	\$271,715
Miscellaneous Revenue	7,907	4,756	5,769	5,086	2,803
Reclaimed Revenue	-	-	-	-	-
Total Wastewater Utility	<u>\$ 271,927</u>	<u>\$ 261,054</u>	<u>\$ 264,118</u>	<u>\$ 270,884</u>	<u>\$274,518</u>
Interest	<u>\$5,556</u>	<u>\$20,260</u>	<u>\$32,565</u>	<u>\$22,967</u>	<u>\$13,736</u>
TOTAL REVENUE	<u>\$1,844,585</u>	<u>\$1,959,941</u>	<u>\$2,031,435</u>	<u>\$1,998,556</u>	<u>\$1,974,948</u>

Source: City Financial Services Department - Financial Accounting and Reporting.

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OPERATING STATEMENT
ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM – (CONTINUED)
(in thousands rounded)

EXPENSE	Fiscal Year Ended September 30				
	2021	2020	2019	2018	2017
ELECTRIC UTILITY					
Production	\$272,411	\$163,250	\$208,231	\$179,981	\$173,860 (3)
Joint Facility Production	183,173	199,734	189,141	218,373	162,343 (3)
System Control	15,155	19,007	21,490	26,454	19,423
Transmission and Distribution	234,774	216,225	198,816	193,291	188,583
Jobbing and Contract Work	1,907	2,098	2,222	1,625	1,207
Customer Accounting and Collection	23,456	24,224	25,457	9,515	16,203
Customer Services	26,249	23,817	24,948	27,435	28,928
Administrative and General	<u>223,151</u>	<u>418,311</u>	<u>435,161</u>	<u>427,253</u>	<u>428,057</u>
Total Electric Utility	<u>\$980,276</u>	<u>\$1,066,666</u>	<u>\$1,105,466</u>	<u>\$1,083,927</u>	<u>\$1,018,604</u>
WATER UTILITY					
Operations (1)	\$76,906	\$73,672	\$71,373	\$68,108	-
Treatment (1)	-	-	-	-	37,456
Pipeline Operations (1)	-	-	-	-	26,547
Engineering Services	5,037	4,853	5,572	4,512	3,876
Water Resources Management	4,508	4,126	3,901	3,586	3,923
Environmental Affairs & Conservation	9,840	9,411	7,496	7,780	7,264
Support Services - Utility	18,098	15,794	21,899	14,168	12,571
One Stop Shop	-	-	0	164	294
Reclaimed Water Services	545	1,652	1,312	534	526
Other Operating Expenses	<u>33,903</u>	<u>33,980</u>	<u>27,580</u>	<u>31,814</u>	<u>31,290</u>
Total Water Utility	<u>\$148,837</u>	<u>\$143,488</u>	<u>\$139,133</u>	<u>\$130,666</u>	<u>\$123,747</u>
WASTEWATER UTILITY					
Operations (1)	\$65,910	\$66,473	\$65,585	\$62,412	-
Treatment (1)	-	-	-	-	40,911
Pipeline Operations	-	-	-	-	18,825
Engineering Services	7,546	8,030	6,936	7,200	6,317
Water Resources Management	5,062	4,786	4,673	4,427	4,526
Environmental Affairs & Conservation	3,349	3,098	3,013	3,088	2,819
Support Services - Utility	16,833	15,789	21,791	13,767	12,821
One Stop Shop	-	-	-	-	441
Other Operating Expenses	<u>25,213</u>	<u>24,396</u>	<u>19,873</u>	<u>28,664</u>	<u>23,185</u>
Total Wastewater Utility	<u>\$ 123,913</u>	<u>\$ 122,572</u>	<u>\$ 121,871</u>	<u>\$ 119,558</u>	<u>\$ 109,845</u>
TOTAL EXPENSE (2)	<u>\$ 1,253,026</u>	<u>\$ 1,332,736</u>	<u>\$ 1,366,470</u>	<u>\$ 1,334,151</u>	<u>\$ 1,252,196</u>
NET REVENUE AVAILABLE FOR DEBT SERVICE	<u>\$591,559</u>	<u>\$627,215</u>	<u>\$664,965</u>	<u>\$ 664,405</u>	<u>\$ 722,752</u>
Electric Customers	520,757	507,660	496,258	485,204	472,701
Water Customers	247,037	243,820	239,291	235,174	231,014
Wastewater Customers	233,637	230,127	225,940	221,862	217,794

(1) 'Treatment' and 'Pipeline Operations' line items were combined and reclassified as 'Operations' beginning in fiscal year 2018.

(2) Interest expense, depreciation, amortization, other non-operating items, net pension liability and OPEB accrual are not included in total expense.

(3) Numbers may vary due to changes in customer classifications.

Source: City Financial Services Department - Financial Accounting and Reporting.

DISCUSSION OF OPERATING STATEMENT

Austin Energy Revenues

Variations in total Austin Energy revenues for the fiscal years (“FY”) ended September 30, 2017 through September 30, 2021 were attributable to changes in cost of fuel for power generation and weather variations. Total fuel costs are passed through to the consumer.

Water and Wastewater System Revenues

Variations in Water and Wastewater System revenues for the period FY 2017 through FY 2021 were largely attributable to weather and system rate changes, including imposition of Stage 2 watering restrictions beginning in September 2011. See “WATER SYSTEM – Water Use Management Plans, Austin’s Integrated Water Resource Plan and LCRA Water Management Plans” and “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates” in this document.

Austin Energy Expenses

Changes in Austin Energy expenses for the period FY 2017 through FY 2021 were largely attributable to changes in the cost of fuel for power generation and general inflationary increases in other expense categories.

Water and Wastewater System Expenses

Changes in Water and Wastewater System expenses for the period FY 2017 through FY 2021 were primarily attributable to inflationary increases in the cost of power and chemicals, along with system growth.

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The Electric Utility System and Water and Wastewater System (in thousands rounded)

	Fiscal Year Ended September 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plant Cost					
Utility Systems					
Electric	\$6,748,786	\$6,418,934	\$6,179,413	\$5,574,059	\$5,428,545
Water	3,177,882	3,077,482	2,983,187	2,903,016	2,817,554
Wastewater	<u>2,933,872</u>	<u>2,812,618</u>	<u>2,698,343</u>	<u>2,616,571</u>	<u>2,529,448</u>
Total Cost	<u>\$12,860,540</u>	<u>\$12,309,034</u>	<u>\$11,860,943</u>	<u>\$11,093,646</u>	<u>\$10,775,547</u>
Allowance for Depreciation:					
Electric	3,701,521	3,451,096	3,175,348	2,978,260	2,827,731
Water	1,039,088	985,972	926,457	869,971	811,230
Wastewater	<u>1,247,983</u>	<u>1,187,002</u>	<u>1,123,127</u>	<u>1,060,395</u>	<u>996,455</u>
Total Depreciation	<u>\$5,988,592</u>	<u>\$5,624,070</u>	<u>\$5,224,932</u>	<u>\$4,908,626</u>	<u>\$4,635,416</u>
Cost after Depreciation	<u>\$6,871,948</u>	<u>\$6,684,964</u>	<u>\$6,636,011</u>	<u>\$6,185,020</u>	<u>\$6,140,131</u>
Equity in Utility Systems					
Utility Systems	\$12,860,540	\$12,309,034	\$11,860,943	\$11,093,646	\$10,775,547
Plus: Inventories, Materials and Supplies (1)	69,912	69,575	66,269	55,025	53,528
Net Construction Assets and Unamortized Bond Issue Cost	<u>176,999</u>	<u>141,133</u>	<u>148,739</u>	<u>109,641</u>	<u>104,331</u>
	<u>\$13,107,451</u>	<u>\$12,519,742</u>	<u>\$12,075,951</u>	<u>\$11,258,312</u>	<u>\$10,993,406</u>
Less:					
Allowance for Depreciation	<u>\$5,988,592</u>	<u>\$5,624,070</u>	<u>\$5,224,932</u>	<u>\$4,908,626</u>	<u>\$4,635,416</u>
Utility Systems, Net	\$7,118,859	\$6,895,672	\$6,851,019	\$6,349,686	\$6,297,990
Revenue Bonds and Other Debt Outstanding (2)	\$4,652,775	\$4,537,293	\$4,487,193	\$3,979,273	\$4,011,156
Net Debt	\$4,652,775	\$4,537,293	\$4,487,193	\$3,979,273	\$4,011,156
Equity in Utility Systems	<u>\$2,466,084</u>	<u>\$2,358,379</u>	<u>\$2,363,826</u>	<u>\$2,370,413</u>	<u>\$2,286,834</u>
Percentage of Equity in Utility Systems	34.64%	34.20%	34.50%	37.33%	36.31%

(1) Does not include fuel, oil or coal inventories of approximately \$20,890,000 at September 30, 2021. Consists primarily of spare parts inventory at Fayette Plant and South Texas Project.

(2) Includes Revenue Bonds and Tax and Revenue Bonds of \$4,477,970 (net of discounts and inclusive of premiums); Capital Lease Obligations of \$756; Commercial Paper of \$178,600; General Obligation Bonds of \$1,844; and Contractual Obligation Bonds of \$604.

Source: City Financial Services Department - Financial Accounting and Reporting

LITIGATION

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

Electric Utility System Litigation

On May 3, 2017, Data Foundry, Inc., filed a lawsuit against the City (Cause No. D-1-GN-17-000937 in the 419th Judicial District Court of Travis County, Texas), alleging that the ERCOT nodal market design disqualifies the City's electric generation assets from being considered as used and useful for the purpose of establishing rates for electric service to the City's retail customers, and otherwise challenging the reasonableness of the City's rate of return and debt service coverage levels. The lawsuit seeks declaratory relief that the City's current retail electric rates are unlawful due to the inclusion of costs and return related to generation assets, and seeks a permanent injunction against the City's establishing electric rates that include costs and return related to generation assets and operations. The case was dismissed by the trial court on November 27, 2017 on the basis that the plaintiff lacked standing to bring a lawsuit challenging the City's rates. Data Foundry appealed the trial court's decision to the 14th Court of Appeals in Houston (Cause No. 14-18-00071-CV). On April 23, 2019, the appellate court partially upheld the trial court's dismissal of the case, holding that the City's inclusion of generation costs in retail rates was proper and dismissing other claims, but remanded the remainder of the case on the grounds that municipal utility ratepayers have general standing to bring suit alleging the excessiveness of utility rates on certain grounds. On April 9, 2021, the Texas Supreme Court in Cause No. 19-0475 reversed the Court of Appeals and remanded the case in its entirety back to the trial court where the case is now pending. The case is currently abated through the end of the calendar year to allow for settlement discussions to occur.

Additionally, the Electric Utility System has been served in numerous property damage lawsuits and one wrongful death lawsuit, relating to outages caused by the 2021 Weather Event that affected the ERCOT system. See "TEXAS 2021 WINTER WEATHER EVENT" in this document. These cases are pending in the multi-district litigation proceeding in Cause No. 2021-18513 in the 215th District Court of Harris County, Texas.

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THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its Home Rule Charter. The City Council is comprised of an eleven-member council, with the Mayor elected at-large, and the remaining members elected from ten single-member districts. Councilmembers, including the Mayor, serve a four-year term, with the terms staggered so that every two years five of the councilmembers and the Mayor stand for election, and five councilmembers stand for election two years later. See “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY – General Information” in this document.

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

City Manager – Spencer Cronk

Mr. Spencer Cronk joined the City as City Manager on February 12, 2018. Before joining the City, Mr. Cronk was Minneapolis City Coordinator (City Administrator). He directed the management of Minneapolis city government by assisting the Mayor and City Council in defining city policy and establishing priorities, mobilizing department heads and staff to implement the Mayor and Council’s priorities, and working to strengthen the management and administrative systems of the city. Mr. Cronk previously served as Commissioner of the Minnesota Department of Administration, a role he was appointed to by Minnesota Governor Mark Dayton in 2011. As Commissioner, Mr. Cronk led the state’s real property, purchasing, fleet, demographic analysis and risk management divisions responsible for more than \$2 billion in state purchasing and the historic renovation of the Minnesota State Capitol. Additionally, Mr. Cronk served as chair of the Minnesota Public Data Governance Advisory Committee, and as a member of the Environmental Quality Board and the Minnesota Indian Affairs Council. Before joining the State of Minnesota, Mr. Cronk served as executive director of organizational development and senior advisor for the Department of Small Business Services for the City of New York, under former Mayor Michael Bloomberg. His accomplishments there included the design and implementation of a comprehensive performance-management system and the development of a program for integrating new employees, which was used citywide as a best practice template for the City of New York’s 300,000 employees. Mr. Cronk has served a number of community organizations and agencies, including as an Advisory Council member for Northern Spark, a member of the Minnesota Advisory Board of the Trust for Public Land, and a member of the Itasca Project Task Force on Socioeconomic Disparities in the Twin Cities. He was a recipient of the Minneapolis/St. Paul Business Journal’s “40 Under 40” Award in 2013. Mr. Cronk received his bachelor’s degree with honors from the University of Wisconsin–Madison. He is a graduate of Harvard University’s Senior Executives in State and Local Government Program and was a Public Affairs Fellow with the Coro New York Leadership Center.

Assistant City Manager – Veronica Briseño

Ms. Veronica Briseño was appointed as Assistant City Manager over the City’s Strategic Outcome “Government that Works for All” on January 18, 2022. Ms. Briseño began her career with the City over 20 years ago. During that time, she has held multiple positions with progressive responsibilities, beginning as an intern in the City Manager’s Office, working in a Council Office, serving as an Assistant Director and Director in the Small and Minority Business Resources Department, and Director of the Economic Development Department. Most recently, in her role as the Chief Economic Recovery Officer, Veronica has been instrumental in leading the City’s COVID-19 economic recovery efforts. This includes overseeing the establishment of twelve (12) new financial assistance programs for the creative and business communities and coordinating City-wide economic response efforts. Veronica has Bachelor of Arts Degrees in Government and Journalism and a Master of Public Affairs from the University of Texas at Austin.

Assistant City Manager – Gina N. Fiandaca

Ms. Gina N. Fiandaca was appointed as Assistant City Manager over the City’s Strategic Outcome “Mobility” on May 6, 2019. Ms. Fiandaca joined the City of Austin after a successful career in Boston. She served the City of Boston for over 20 years, during which time she held multiple positions throughout four Mayoral administrations. Just prior to joining the City of Austin, Ms. Fiandaca served as Commissioner of Transportation for Boston where she implemented major strategic public

administration programs, focused on high-visibility multi-modal and environmentally sustainable mobility and safety initiatives. In this role she led the City of Boston to release 15-year, \$4.7B “Go Boston 2030”, the City’s first major “Vision and Action” transportation plan in decades with 57 projects to address the mobility, economic and sustainability needs of greater Boston. Ms. Fiandaca holds a Bachelor of Arts/Bachelor of Science degree from Suffolk University and a Master of Business Administration from Boston University.

Chief Financial Officer – Ed Van Eenoo

Mr. Ed Van Eenoo was appointed Chief Financial Officer on December 6, 2020 and oversees the City’s Financial Services Department, consisting of Accounting & Financial Reporting, Budget & Performance, Central Procurement, Financial Systems & Information Technology, Police Financial Services, Real Estate, Telecommunications & Regulatory Affairs, and Treasury. Prior to his appointment as Chief Financial Officer, Mr. Van Eenoo served as Deputy Chief Financial Officer for eight years and as the Budget Officer at the City for four years. Before joining the City, he spent nine years with the City of Chula Vista including time as a Fiscal and Management Analyst, Assistant Director of Budget and Analysis, and four years as the Director of Budget and Analysis. Mr. Van Eenoo received a Bachelor of Science degree in Economics from The University of Eastern Michigan and a Master of Science degree in Applied Economics from Virginia Tech University.

Deputy Chief Financial Officer – Diana Thomas

Ms. Diana Thomas currently serves as Deputy Chief Financial Officer, where she oversees the Financial Systems & Information Technology, Police Financial Services, Support Services, and Telecommunications & Regulatory Affairs programs within the Financial Services Department. She was appointed to the Deputy Chief Financial Officer position in June 2021 after serving as the City’s Controller from 2008 to 2021. Ms. Thomas started her career with the City in 1992 and has held various financial positions during her tenure. In 2006, she led the implementation of the City’s new financial system. Ms. Thomas received her Bachelor of Business Administration degree in Finance from the University of Texas at Austin and is a licensed CPA in the state of Texas.

Deputy Chief Financial Officer – Kimberly Olivares

Ms. Kimberly Olivares currently serves as Deputy Chief Financial Officer, where she oversees Real Estate, Treasury, strategic facility delivery (P3s), tax increment reinvestment zone (TIRZ) and public improvement district (PID) financing. Ms. Olivares joined the City in 2003 and has held positions in the City Manager’s Office, Public Works Department, and Financial Services Department. Previously, she was the Chief Performance Officer leading the City’s commitment to instilling a culture of continuous learning and improvement throughout the organization through strategic plan organizational alignment and culture change, performance measurement and data analytics, and process improvement consulting. Ms. Olivares was also the Deputy Budget Officer for the City, managing the capital improvement program financial services, Budget Office information technology support team, and performance measurement program. She received a B.A. from the University of Notre Dame, a Master of Public Affairs degree from the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, and a Master of Business Administration degree from St. Edward’s University. Ms. Olivares has also worked for the City of Southlake, Texas, and the City of Tampa, Florida. As a representative of the City of Austin, she is very active with the Government Finance Officers Association and serves as the Chair of its Committee on Economic Development and Capital Planning.

Services Provided by the City

The City’s major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including electricity (Austin Energy), water and wastewater (Austin Water), airport (Austin-Bergstrom International Airport) and two public event facilities.

Employees

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

The City does not have automatic escalators in payroll or in its retirement systems. The retirement systems may grant cost-of-living increases up to 6% for municipal employees and 6% for police officers and a percentage based on the amount of increase in the Consumer Price Index for the firefighters, but only if recommended by an independent actuary and approved by the retirement boards.

Annexation Program

Chapter 43 of the Texas Local Government Code regulates annexation of property by Texas municipalities. Under current state law, landowner and/or voter approval is required as part of the process for the annexation of territory into a city. The process varies depending on the characteristics of the area being considered for annexation, generally involving a petition from each landowner, a petition signed by registered voters and owners of land in the area, or an election at which qualified voters approve the proposed annexation. Additionally, the process involves staff review, development of a written service agreement (or regulatory plan for a limited purpose annexation), notification, publication of a newspaper notice, public hearings, and ordinance approval.

Upon approval, the City provides a wide range of services to the annexed area – police and fire protection, emergency medical services, solid waste collection, and maintenance of public facilities such as water and wastewater, roads, streets, and parks. Failure to provide municipal services in accordance with the service plan may provide grounds for a petition and court action to compel compliance with the service plan or to disannex the area, and may also result in a refund of taxes and fees collected for services not provided. The City has never been forced to disannex due to such failure.

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

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

The City Charter and the State's annexation laws provide the City with the ability to undertake two types of annexation. “Full purpose” annexation discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as “limited purpose” annexation by which territory may be annexed for the limited purposes of “Planning and Zoning” and “Health and Safety.” Territory so annexed is subject to ordinances relating to these purposes: chiefly, the City's zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for a limited purpose because municipal services are not provided and residents of the area are restricted to voting only in City elections for City Council and Charter amendments.

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Annexations

The following table sets forth (in acres) the City's annual annexations since 2012.

<u>Calendar Year</u>	<u>Full Purpose Acres</u> ⁽¹⁾	<u>Limited Purpose Acres</u>
2012	3,387	3,818
2013	3,484	594
2014	897	136
2015	1,911	3
2016	311	0
2017	1,283	0
2018	136	0
2019	185	166
2020	65	0
2021	92	243
2022	253	51

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

Recent Annexation

As of August 2022, the City planned to annex 253 acres of privately-owned land at the owners' request and 51 acres of limited purpose jurisdiction to be included in the Pilot Knob Municipal Utility District No. 4. All annexations were greenfield areas and development plans ranged from civil services uses to commercial and high-density residential.

In 2020 and 2021, the City conducted full purpose annexations of greenfield land at the request of property owners. The 157 acres annexed during this time were proposed for development as residential and light industrial uses. In 2019, the City annexed for limited purposes several recently acquired and vacant outparcels located in the Pilot Knob MUD development project. Additionally, at the landowner's request, the City annexed for full purposes a 126-acre undeveloped parcel which the landowner plans to develop into a corporate campus.

In 2018, the City annexed and dissolved the Cascades MUD No. 1 at the request of the property owner. At the time of annexation the area was undeveloped and the MUD had not issued any debt. The property owner determined that the proposed Cascades at Onion Creek subdivision could be developed as originally planned without the need for a MUD and the City agreed to annex and dissolve the MUD. The taxable assessed value ("TAV") at the time of annexation was \$584,827.

The largest of the 2017 annexations was the River Place MUD area which converted approximately 1,040 acres from the City's limited purpose jurisdiction to full purpose. This area included an estimated population of approximately 3,125 persons. In addition, the City annexed several commercial properties in south Austin. The total TAV for these areas at the time of annexation was \$697.2 million.

The City's 2016 annexation program included the full purpose annexation of five areas containing approximately 311 acres. With the exception of a small amount of office/warehouse/commercial uses, these areas were largely undeveloped at the time of annexation. Approved development plans include an additional 651 single-family homes and 97 multi-family units. The TAV for these areas at the time of annexation was approximately \$19.3 million.

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

Future Annexation

Annexations continue to be considered at the request of property owners. No large-scale annexations are currently scheduled in the near future.

Pension Plans

The City has three contributory defined benefit retirement plans for its general municipal, fire, and police employees. These three plans include the City of Austin Employees' Retirement System ("COAERS"), the City of Austin Police Retirement System (the "Police Retirement System") and the City of Austin Fire Fighters Relief and Retirement Fund (the "Fire Fighters Retirement Fund"). These plans are single employer funded plans each, with a fiscal year end of December 31. The three retirement plans cover substantially all full-time employees. State law requires the City to make contributions to the plans in an amount at least equal to the contribution of the employee group and for the Police Retirement System an actuarially determined contribution model became effective in 2022. The contributions made by the City to the COAERS include amounts allocable to the City employees within Austin Energy, Austin Water, and the City's Aviation Department ("Aviation"); the contributions allocable to such employees are paid from gross revenues of the respective systems and constitute operating expenses of Austin Energy, Austin Water, and Aviation.

As of October 1, 2021, municipal employees contribute 8.0% and the City contributes 19.0% of payroll. Fire fighters (who are not members of the Social Security System) contribute 18.7% of payroll, and the City contributes 22.05% to the Fire Fighters Retirement Fund. As of October 1, 2021, police officers contributed 13.0% and the City contributed 21.737% of payroll to the Police Retirement System. The City will also contribute according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period. Effective January 1, 2022, police officers contribution increased to 15.0% of payroll to the Police Retirement System and the City's contribution decreased to the actuarially determined amount of 10.1%. The contributions to the pension plans are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2021, the amortization period of the unfunded actuarial accrued liability was 33 years for the COAERS, 30 years for the Police Retirement System, and 17.5 years for the Fire Fighters Retirement Fund.

The City's net pension liability was measured as of December 31, 2021 for each of the City's three pension plans. Information on the liabilities and funding measurements of each plan is discussed below.

City of Austin Employees' Retirement System (COAERS). The members of the COAERS include City civilian and EMS employees as well as pension system employees. The COAERS provides plan members with a monthly pension payment derived from a predetermined formula based on length of service, salary history, and payout options. There are two groups in this plan with a vesting period of five years for both plans. Employees hired prior to January 1, 2012 are eligible to retire at any age after 23 years of service, at age 55 with 20 years of service, or at 62 with 5 years of service. The annual retirement benefit is calculated by multiplying the number of years of service by the average of the three highest earning years out of the last 10 years worked; this amount is then multiplied by 3%. Employees hired on or after January 1, 2012 follow a similar structure with modified factors: retirement eligibility occurs at age 62 with 30 years of service, or at 65 with 5 years, and the multiplier is 2.5%. The plan changes creating the second group were implemented to address long-term structural imbalances in the plan.

As of December 31, 2021, the COAERS reported a total net pension liability of \$1.47 billion, of which \$299.7 million is allocable to Austin Energy, \$159.3 million is allocable to Austin Water, and \$56.3 million is allocable to Aviation. The COAERS' fiduciary net position as a percentage of the total pension liability was 70.9%. The actuarial accrued liability for the COAERS as of December 31, 2021 was \$5.0 billion and the funded ratio was 66.0%. As of December 31, 2020, the COAERS reported a net pension liability of \$1.5 billion with a plan fiduciary net position as a percentage of the total pension liability of 68.1%. The actuarial accrued liability for the COAERS was \$4.7 billion and the funded ratio was 65.3%. The COAERS had a change of the actuarial investment return assumption from 7.00% to 6.75%. There were no changes to benefit terms that affected the total pension liability for the 2021 measurement period.

The COAERS funding policy is to maintain contribution rates sufficient to cover the normal cost of the plan and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 25 years. Currently, the total contribution rate is sufficient to amortize the System's unfunded liabilities in approximately 33 years, an increase from the 32-year amortization period in the previous year. Since 2005, the City has taken certain actions intended to improve the long-term financial health of the COAERS, including increased City contributions, the establishment of a second, lesser benefit tier for new employees hired on or after January 1, 2012, which includes a reduction in the pension multiplier. The City and COAERS are working together towards additional plan changes as discussed in more detail below.

Police Retirement System. The members of the Police Retirement System include all cadets, upon enrollment in the Austin Police Academy, commissioned law enforcement officers employed by the City's Police Department, and full-time employees of the Police Retirement System. The Police Retirement System provides retirement, death, and disability benefits to plan members and their beneficiaries.

In 2021, the City and Police Retirement System collaborated to get legislation passed which addresses that system's liabilities and places it on an actuarially sound path. The 87th Texas Legislature enacted, and the Governor signed, legislation that includes the following reforms which became effective on January 1, 2022:

- Establishing a new benefit tier for new sworn police officers with the following benefit parameters:
 - a 2.5% multiplier;
 - retirement eligibility at age 50 and 25 years of service; and,
 - average salary calculated on the highest 60 months;
- Increasing employee contributions from 13% to 15%;
- Increasing City contributions to cover the legacy unfunded liability as of December 31, 2020;
- Establishing an actuarially determined contribution model to replace the current fixed contribution mode;
- Removal of authority of the Police Retirement System Board to provide cost of living adjustments, change member benefits or member contribution rates; and
- Reform of the governance structure by replacing one active member seat to a citizen seat appointed by City Council.

Initially City contributions will increase 4% with additional City contribution increases relating to initial risk sharing valuation and legacy liability to be phased in over 3 years.

The Police Retirement System provides plan members with a monthly pension payment derived from a predetermined formula based on length of service, salary history, and payout options. Benefits are vested after 10 years. For employees hired prior to January 1, 2022, benefits are based on the years of service times the highest 36 months of salary in the last 10 contributing years of service. A multiplier of 3.2% is applied to the years of service. Eligibility occurs with 23 years of creditable service, at age 55 with 20 years of service, or at age 62. For employees hired on or after January 1, 2022, the years of service times is increased to 60 months, the multiplier is decreased to 2.5%, and eligibility is at age 50 with 25 years of service or at age 62. For employees hired on or after January 1, 2022, the years of service is increased to the 60 highest months, the multiplier is decreased to 2.5%, and eligibility is at age 50 with 25 years of service or at age 62.

As of December 31, 2021, the Police Retirement System reported a net pension liability of \$544.5 million for the 2021 plan year, which is a decrease from the \$605.9 billion net pension liability reported for the prior 2020 plan year. The fiduciary net position as a percentage of the total pension liability increased to 66.5% for the 2021 plan year from 60.8% in the prior year. There were no changes to the actuarial assumptions and methodology during the most recent plan year. For plan year 2019, the Police Retirement System adopted changes to certain plan assumptions in May 2019, based on an experience study conducted in 2019, including a reduction to the investment return assumption (from 7.75% to 7.25%), a reduction of payroll growth assumption and adoption of a new mortality table. The assumption changes, among other contributing factors, resulted in a decrease in the funded ratio and an increase in the amortization period from 35 years in 2017 to infinite in 2018. Additionally, the use of a lower, blended discount rate – as required by GASB guidelines – contributed to the increase in the net pension liability. A full description of the assumptions for the Police Retirement System is available in the actuarial reports available on its website.

The actuarial accrued liability for the Police Retirement System as of December 31, 2021 was \$1.62 billion and the funded ratio was 60.2%. The actuarial accrued liability for the Police Retirement System as of December 31, 2020 was \$1.54 billion and the funded ratio was 58.6%.

Fire Fighters Retirement Fund. The members of the Fire Fighters Retirement Fund include commissioned firefighters and Texas state-certified employees of the Fire Department. Members are eligible to retire at 50 years of age with at least 10 years of service credit or with at least 25 years of service credit at any age. Retirement benefits are paid in the form of a monthly life annuity based on years of service times the highest 36 months of salary during the member's contributing years of service. The multiplier for the Fire system is 3.3%. The Fire Fighters Retirement Fund also provides early retirement options.

As of December 31, 2021, the Fire Fighters Retirement Fund reported a net pension liability of \$11.8 million, with a plan fiduciary net position as a percentage of the total pension liability of 99.1%. The actuarial accrued liability for the Fire Fighters Retirement Fund was \$1.31 billion and the funded ratio was 89.6%. As of December 31, 2020, the Fire Fighters Retirement Fund reported a net pension liability of \$70.4 million and plan fiduciary net position as a percentage of the total pension liability of 94.3%. The actuarial accrued liability for the Fire Fighters Retirement Fund as of December 31, 2020 was \$1.23 billion and the funded ratio was 87.5%.

The Fire Fighters Retirement Fund adopted a change used in the 2021 actuarial valuation. The valuation reflects the use of the most recently published mortality improvement scale by the Society of Actuaries. In addition, effective January 1, 2022, retirees received a one-time cost-of-living adjustment of 5.4%.

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

Future City Pension System Reforms. In response to the reported actuarial funding data for COAERS, which indicates that the pension system is currently significantly underfunded, the City has been working with COAERS to resolve the funding shortfalls. The City and COAERS are working collaboratively toward implementing changes during the 2023 legislative session of the State Legislature. The potential changes include a more adaptable, actuarially determined funding model, phased increases to both City and employee contributions, and changes to the governance structure. No assurances can be provided that any such changes will be adopted by the State Legislature.

Other Postemployment Benefits (“OPEB”)

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits (“OPEB”) to its retirees. The City’s OPEB plan is a defined-benefit single-employer plan. Allocation of City funds to pay OPEB other than pensions 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 is under no obligation to pay any portion of the cost of OPEB for retirees or their dependents.

OPEB 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 OPEB. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

Day-to-day accounting and administration of OPEB activities are provided by the City and recorded in the Employee Benefits Fund. However, at year end an adjustment is made to recognize OPEB expenses in the operating funds that provide funding to the Employee Benefits Fund to pay for the City’s portion of these benefits. No separate plan report is available.

The City subsidizes between 16% and 80% of the projected medical premium for retirees and a lesser portion for dependents and surviving spouses depending on years of service at retirement. The retiree must pay the unsubsidized portion of the premium. Both the City and retirees’ estimated premiums are deposited in the Employee Benefits Fund, which pays actual claims for medical and prescription drugs and 100% of the retiree’s basic life insurance premium. The cost of coverage above the \$1,000 level for life insurance premium is paid by the retiree. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City funds its OPEB liabilities on a pay-as-you-go basis. The pay-as-you-go cost of providing medical and life benefits was \$57.6 million in fiscal year 2021 and \$47.8 million in fiscal year 2020.

The City commissions a biennial actuarial valuation of its OPEB liability with a roll-forward prepared in the year in which there is no formal valuation. As of the most recent December 31, 2021 biennial actuarial valuation date, the City’s total OPEB liability decreased to \$4.25 billion from \$4.35 billion as of the actuarial valuation (roll forward) measured as of December 31, 2020. The decrease in the total OPEB liability was the net effect of several factors. The primary factor was an updated assumption of the valuation-year per capita health costs based on claim experience through December 31, 2021, which decreased the total liability. This decrease was partially offset by liability increases caused by an actuarial experience loss which resulted from demographic changes and actual contributions/benefit payments being different than expected as well as the lowering of the discount rate from 2.12% to 2.06%.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 8 and Note 18” in this document for additional information on the City’s OPEB.

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$26.6 million for claims and damages at the end of fiscal year 2021. Employee injuries are covered by the City's Workers' Compensation Fund and health claims are covered by the City's Employee Benefits Fund. The accrued liabilities for certain claims and expenses for enterprise funds of the City are funded separately, from funds of the respective enterprise systems.

INVESTMENTS

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

Legal Investments

Under 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 are 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 ("FDIC") or by explicit full faith and credit of the United States;
- (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent;
- (6) bonds issued, assumed or guaranteed by the State of Israel;
- (7) interest-bearing banking deposits that are guaranteed insured by the FDIC or the National Credit Union Share Insurance Fund ("NCUSIF") or their respective successors;
- (8) interest-bearing banking deposits other than those described by subdivision (7) if the funds invested in the banking deposits are invested through (a) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this state that the investing entity selects; (ii) the broker or depository institution selected as described above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account (a) the depository institution selected as described above; (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3);
- (9) 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 a combination of cash and the FDIC or the NCUSIF, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits;
- (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clauses (1) and (12) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State;
- (11) 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 not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency;

- (12) commercial paper with a stated maturity of 365 days or less that is rated not less than “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank;
- (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with the United States Securities and Exchange Commission Rule 2a-7;
- (14) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and
- (15) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than “AAA”, “AAA-m” or at an equivalent rating by at least one nationally recognized rating service.

The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if:

- (i) the value of securities loaned under the program are not collateralized at less than 100%, including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) 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.

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, 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 (“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 established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A., and, as of October 2016, transferred the trust to Wilmington Trust, National Association. The decommissioning trust market value, as of June 30, 2022, was approximately \$242 million.

The City is specifically prohibited from investing in:

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

Investment Policies

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

- (1) 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 authorizes the City to invest its funds and funds under its control in all of the eligible investments described above under "Legal Investments", except those investments described in clauses (3) and (6).

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing:

- (1) the investment position of the City;
- (2) that all investment officers jointly prepared and signed the report;
- (3) the beginning market value and the ending value of each pooled fund group;
- (4) the book value and market value of each separately listed asset at the end of the reporting period;
- (5) the maturity date of each separately invested asset;
- (6) the account or fund or pooled fund group for which each individual investment was acquired; and
- (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) State law.

No person may invest City funds without express written authority of the City Council or the Chief Financial Officer of the City.

Additional Provisions

Under Texas law, the City is additionally required to:

- (1) annually review its adopted policies and strategies,
- (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council,
- (3) require a registered representative of business organizations offering to engage in an investment transaction with 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.

An investment officer of a local government is required to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

Current Investments

As of June 30, 2022, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U. S. Treasuries	46%
U. S. Agencies	16%
Local Government Investment Pools	37%
Money Market Funds	1%

The dollar weighted average maturity for the combined City investment portfolios is 207 days. The City prices the portfolios weekly utilizing a market pricing service.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("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 to the City 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 E -- FORM OF BOND COUNSEL'S OPINION."

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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. The Existing Law is subject to change by the United States Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such 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 City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders 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 may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). 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 Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION 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 OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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 interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of this document within the following tables:

- 1) "WATER SYSTEM – Historical Water Pumpage,"
- 2) "WATER SYSTEM – Projected Water Pumpage,"
- 3) "WATER SYSTEM – Information Concerning Water Sales,"
- 4) "WATER SYSTEM – Large Water Customers,"

- 5) "WASTEWATER SYSTEM – Historical Wastewater Flows,"
- 6) "WASTEWATER SYSTEM – Projected Wastewater Flows,"
- 7) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION– Water Service Rates,"
- 8) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Wastewater Service Rates,"
- 9) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Water Bills,"
- 10) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Wastewater Bills,"
- 11) "ELECTRIC UTILITY SYSTEM – Generation Facilities,"
- 12) "AUSTIN ENERGY'S CUSTOMER STATISTICS – Five Year Electric Customer Statistics,"
- 13) "AUSTIN ENERGY'S CUSTOMER STATISTICS – Generation and Use Data,"
- 14) "DISCUSSION OF OPERATING STATEMENT – The Electric Utility System and Water and Wastewater System,"
- 15) "ELECTRIC UTILITY SYSTEM – Customer Base–Average Monthly Number of Customers,"
- 16) "ELECTRIC UTILITY SYSTEM – Fuel Supply,"
- 17) "AUSTIN ENERGY'S CUSTOMER RATES – Typical Monthly Residential Electric Bills of Large Texas Cities,"
- 18) Austin Energy's approved rate schedules incorporated into this document by reference as described in the applicable Pricing Certificate and "AUSTIN ENERGY'S CUSTOMER STATISTICS – Electric Rates,"
- 19) "AUSTIN ENERGY'S CUSTOMER STATISTICS – GreenChoice® Energy Rider,"
- 20) "COMPARATIVE ANALYSIS OF ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM OPERATIONS,"
- 21) "OPERATING STATEMENT ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM,"
- 22) The table of annual results of the City's annexations in "THE CITY – Annexations,"
- 23) "INVESTMENTS – Current Investments," and
- 24) Audited financial statements of the City, if not provided as part of such financial information and operating data, when and if available.

The City will (1) update and provide this financial information and operating data within six months after the end of each fiscal year, beginning with the fiscal year ending in 2022 and (2) if not provided as part of the financial information and operating data, audited financial statements, when and if available. If audited financial statements are not available within 12 months after any such fiscal year end, the City will provide notice that the audited financial statements are not available and will file unaudited financial statements within such 12-month period and audited financial statements for such fiscal year when and if the audit report on such statements becomes available. The City will provide the updated information to the MSRB through EMMA. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

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

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City or obligated person; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions,

other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect Bond holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Forty-Second Supplement. Neither the Bonds nor the Forty-Second Supplement make any provision for debt service reserves or liquidity enhancement. See “SECURITY FOR THE BONDS - Bonds Not Secured by any Debt Service Reserve Fund” in this document. The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Forty-Second Supplement.

As used in clause (12) above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in clause (15) and clause (16) above, the term “Financial Obligation” means a: (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii); provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term “Business Day” means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located.

Availability of Information

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

Limitations and Amendments

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

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

INFORMATION - Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

OTHER RELEVANT INFORMATION

Ratings

The Bonds have received ratings of “Aa2” (stable outlook) from Moody’s Investors Service, Inc. (“Moody’s”), “AA” (stable outlook) from S&P Global Ratings, a division of S&P Global Inc. (“S&P”), and “AA-” (stable outlook) from Fitch Ratings, Inc. (“Fitch”). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price and marketability of the Bonds. Except as provided under “CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices” in this document, the City will undertake no responsibility to notify the owners of the Bonds of any such revisions or withdrawal of ratings.

Registration and Qualification of Bonds

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

Legal Opinions

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the City in accordance with their terms payable solely from and, together with the outstanding Parity Water/Wastewater Obligations and Prior Subordinate Lien Obligations, equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water and Wastewater System in the manner provided in the Forty-Second Supplement and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under “TAX MATTERS” in this document, including the alternative minimum tax on certain corporations. The form of Bond Counsel’s opinion is attached to this document as “APPENDIX E”.

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 for this Official Statement or undertaken independently to verify any of the information contained in it, except that, in their capacity as Bond Counsel, such firm has reviewed the information in the

Official Statement under the captions “PLAN OF FINANCING”, “SECURITY FOR THE BONDS,” “DESCRIPTION OF THE BONDS”, “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION”, “OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds,” “OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas” and “OTHER RELEVANT INFORMATION – Legal Opinions,” and in “APPENDIX C” and “APPENDIX D” to verify that the information relating to the Bonds, the Master Ordinance and the Forty-Second Supplement contained under such captions and in APPENDICES C and D in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. The opinion of Bond Counsel will accompany the global certificate deposited with DTC in connection with the use of the Book-Entry-Only System. In addition, certain legal matters will be passed upon (i) for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Underwriters’ Counsel, and (ii) for the City by Bracewell LLP, Disclosure Counsel. The payment of legal fees to Bond Counsel, Underwriters’ Counsel, and Disclosure Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

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

Financial Advisor

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

Independent Auditors

The financial data listed as fiscal year 2022 has been derived from the unaudited internal records of the City. The City’s independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City as of September 30, 2021 and for the year then ended included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX B.

Underwriting

The Underwriters have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the City at a price equal to the initial offering prices shown on page ii of this Official Statement, less an underwriting discount of \$986,404.12. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

Jefferies LLC (“Jefferies”), the representative of the Underwriters of the Bonds, has entered into a distribution agreement with InspereX LLC (“InspereX”) for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Forward-Looking Statements

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

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

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

Verification of Arithmetical and Mathematical Calculations

Prior to delivery of the Bonds, the Verification Agent Robert Thomas, CPA, LLC, will deliver to the City its report indicating that it has examined the mathematical accuracy of computations prepared by PFM relating to the sufficiency of the payments on the Escrowed Securities and cash to be deposited in the Escrow Fund.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that it has no obligation to update its report because of events occurring, or data or information coming to their attention, subsequent to the date of their report. The report of the Verification Agent will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion of interest on the Bonds for federal income tax purposes and with respect to the defeasance of the Refunded Bonds.

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Miscellaneous Information

The financial data and other information contained in this document have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained in this document will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances.

These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects. The Forty-Second Supplement approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the offering of the Bonds by the Underwriters.

/s/ Steve Adler
Mayor
City of Austin, Texas

ATTEST:
/s/ Myrna Rios
City Clerk
City of Austin, Texas

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SCHEDULE I

SUMMARY OF REFUNDED BONDS⁽¹⁾

Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008

<u>Maturity</u>	<u>Interest Rate</u>	<u>Par Amount Refunded</u>	<u>Call Date</u>	<u>Call Price</u>	<u>CUSIP⁽²⁾</u>
5/15/2031	Variable	\$93,500,000	11/14/2022	100%	052476SL3

Water and Wastewater System Revenue Refunding Bonds, Series 2012

<u>Maturity</u>	<u>Interest Rate</u>	<u>Par Amount Refunded</u>	<u>Call Date</u>	<u>Call Price</u>	<u>CUSIP⁽²⁾</u>
11/15/2023	2.500%	\$1,215,000	11/28/2022	100%	052477NZ5
11/15/2024	5.000%	1,820,000	11/28/2022	100%	052477PA8
11/15/2025	5.000%	1,995,000	11/28/2022	100%	052477PB6
11/15/2026	5.000%	9,335,000	11/28/2022	100%	052477PC4
11/15/2027	5.000%	3,000,000	11/28/2022	100%	052477NY8
11/15/2027	4.000%	750,000	11/28/2022	100%	052476ZH4
11/15/2028	5.000%	12,905,000	11/28/2022	100%	052476ZJ0
11/15/2029	5.000%	3,445,000	11/28/2022	100%	052476ZK7
11/15/2030	5.000%	6,345,000	11/28/2022	100%	052476ZL5
11/15/2031	5.000%	6,665,000	11/28/2022	100%	052476ZM3
11/15/2032	5.000%	7,000,000	11/28/2022	100%	052476ZN1

11/15/2037 ⁽³⁾	5.000%	40,600,000	11/28/2022	100%	052476ZP6

11/15/2042 ⁽³⁾	5.000%	51,820,000	11/28/2022	100%	052476ZQ4

- (1) The refunding of any of the Refunded Bonds is contingent upon the delivery of the Bonds. See "PLAN OF FINANCING" in this document.
- (2) CUSIP numbers have been assigned by FactSet Research Systems Inc. on behalf of the American Bankers Association. None of the City, the Financial Advisor or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.
- (3) Represents a term maturity.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

General Information

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor who is elected at large and ten Council members who are elected by geographic district. The districts, drawn by an independent citizen's commission, are to be adjusted after each U.S. census. Following results of the 2020 Census, the Independent Citizens Redistricting Commission presented a certified map to City Council in October 2021, which will be in effect for the 2022 elections. The City's elected officials serve four-year staggered terms subject to a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees, except City Council appointees, and for the administration of all City affairs.

Austin, the capital of Texas, is the fourth most populous city in the state (behind Houston, San Antonio, and Dallas) and the eleventh largest in the nation with a September 2021 population of 975,321 according to the City's estimates (2020 figures were revised following release of the U.S. Census). Geographically, Austin consists of approximately 327 square miles. The current estimated median household income for Austin residents is \$71,186 according to Nielsen Site Reports and Austin's per capita personal income is estimated to be \$71,300 a 9.8% increase over 2020.

Austinites know that despite tremendous growth, Austin remains a very special place to live. Austin's special character in part derives from its diverse population, the unique beauty afforded being at the foothills of the hill country, as well as its reputation as a welcoming and collaborative community. Austin consistently ranks high in the U.S. News & World Report list of best places to live and ranked fifth for the 2021-2022 list. For quality of life, Austin ranked 4th in the US and 8th worldwide in a quality-of-life index based in part on purchasing power, safety, health care, and pollution and climate.

Higher education is a significant aspect of life in the Austin area which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin ("UT"), a world-class center of education and research, consistently ranks in the top 10 largest public universities in the U.S. in terms of undergraduate enrollment. In the 2022 U.S. News & World Report ("USNWR") Best Colleges ranking, UT is tenth (tied) among public universities and its business programs are ranked fifth (tied) among national universities, both public and private. Also in USNWR's new Best Global Universities ranking, UT placed 43rd and is the top school in Texas.

Major Initiatives

Efforts led by multiple city departments this year focused on curtailing the spread of COVID-19 and supporting the community including small businesses, individuals and families to weather the unprecedented challenge of a global pandemic. Despite the challenges, the City has continued with its long-term vision of being the most livable community in the country and has a highly dedicated workforce to support City Council's policies and initiatives. City staff are committed to creating a work environment that fosters sustainable and equitable solutions, creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. City employees take enormous pride in their public service to our community.

Imagine Austin – Imagine Austin, a comprehensive plan for the City's future approved by City Council in June 2012, sets a context to guide decision-makers for the next 30 years. The plan adheres to six core principles established in collaboration with Austin citizens:

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

Strategic Plan – In the spring of 2018, the City Council adopted a strategic plan, Strategic Direction 2023, to provide a shared vision for the City for the next three to five years. Strategic Direction 2023 is inspired by Imagine Austin, which laid out a 30-year vision for the City. Six priority strategic outcomes were identified to help develop and guide City policies, initiatives, and budget development. The six outcomes are:

- Mobility;
- Economic Opportunity and Affordability;
- Safety;
- Health and Environment;
- Culture and Lifelong Learning; and
- Government that Works for All.

As a result of the Strategic Direction 2023 effort, the annual budget underwent significant modification to present departmental expenditure plans and measures affecting these six outcomes.

Mobility – The Austin Transit Partnership Local Government Corporation, created to oversee the Project Connect program, including a new rail system, a downtown transit tunnel, and expanded bus system established its board, brought on staff and approved its first full-year budget in September. The bulk of the funds will go toward the development of two new rail lines. In addition, approximately \$300 million will be transferred to the City over 13 years, to be used for transit-supportive, anti-displacement investments along the Project Connect System Plan.

Of the \$371.5 million total capital spending plan for Mobility initiatives in 2022, \$101.3 million, over 27%, is earmarked for capacity building of streets. These projects stem from multiple prior year bond packages and include the Corridor Construction Program, Regional Mobility projects with the Texas Department of Transportation, and various bikeway and intersection safety improvement projects. Improvements to the Violet Crown Trail, expected to be Austin’s longest urban trail once completed, are also scheduled for completion in 2022. A new trail entrance at Zilker park will provide an overlook, gathering area and rain garden highlighting the importance of this mobility asset.

Economic Opportunity and Affordability – Strategies for this outcome focus on reducing economic disparities by understanding and addressing their root causes. Funding was included in the Parks and Recreation Department operating budget for the Austin Civilian Conservation Corps (ACCC), a program designed to help Austinites economically impacted by COVID-19. ACCC partners with nonprofit organizations to hire and train crews to restore landscapes at City parks and conduct tree maintenance. These activities help to create more resilient landscapes while providing quality jobs and a living wage. Funding for this project comes from ARPA and the Budget Stabilization Fund.

Capital expenditures in the Housing and Planning department comprise nearly 70%, or \$81.3 million, of the total capital budget for this strategic outcome. The majority of the \$81.3 million comes from the 2018 Affordable Housing bonds which aim to continue the City’s commitment to reach key affordable housing goal targets. The strategic vision is to create 60,000 affordable housing units for those making less than 80% of the median family income and ensure that there is affordable housing throughout the city. Ending homelessness continues to be a high priority item for City Council and because this issue cuts across all of the City’s strategic outcomes, it is highlighted separately at the end of this section.

Safety – The Reimagining Public Safety (RPS) framework established in 2020 endeavors to prioritize a holistic approach to providing public safety services and community-centered crime prevention strategies to ensure that everyone in the community feels safe in their home and neighborhood. The fiscal year 2022 budget funds several public safety reform recommendations proposed by the City-Community RPS Task force, including enhanced funding for the Office of Violence Prevention and Victim Services within the Austin Police Department (APD). APD adopted a new training academy curriculum which was used with the 144th Police cadet class which began in June. The new program involves expanded community engagement and includes an independent monitor to evaluate the class and ensure the implementation of recommendations made as a result an assessment of the APD training academy last year.

As a result of the Winter storm Uri task force recommendations, the budget also contains funds for a one-time emergency preparedness campaign to encourage residents to prepare for potential emergencies. The operating budget for the safety outcome increased to \$1.1 billion for the fiscal year 2022 budget.

The capital budget for this strategic outcome is predominantly in support of the Austin Fire Department, which is in the process of constructing five new stations in six years as part of a City Council resolution adopted in 2018. Station 51, serving the Travis Country and Sunset Valley neighborhoods, opened over the summer and renovations on two other stations were completed.

Health and Environment – In 2021, Austin Public Health (APH) implemented a vaccine strategy that mobilized vaccine providers to fully vaccinate more than 68% of eligible Travis County residents. APH administered over 355,000 vaccine doses through mass clinics, mobile clinics, and traditional immunization clinics, while also improving outreach efforts. APH

focused on improving equity in public information on COVID-19 by making outreach and education information available in multiple languages. Two townhall meetings captured public input in seven different languages to inform and improve vaccination processes.

Capital expenditures for this strategic outcome lie predominantly with Austin Water, which in fiscal year 2022 is scheduling upgrades to electrical systems, replacing aging infrastructure, and making advanced metering infrastructure improvements. The utility also has \$6.9 million budgeted in capital spending to expand its reclaimed water system infrastructure, allowing more customers to connect for irrigation, cooling towers and industrial uses. By improving efficiencies in the system, Austin Water can reduce operating costs in addition to conserving water resources.

Culture and Lifelong Learning - The majority of the fiscal year 2022 budget for this strategic outcome lies with the Austin Public Library for continued support of the Central Library as well as library branches across the City. The newly established Austin Economic Development Corporation (AEDC) will assist with the acquisition of creative spaces, which the Economic Development Department will oversee by contract with operators for the facilities. Also of note is funding of the Iconic Venue Fund to save and preserve Austin's iconic cultural venues and protect the city's unique creative cultural brand via a \$2.5 million transfer from the Budget Stabilization Fund. The Iconic Venue Fund is managed by the AEDC. With respect to capital spending, the 2018 voter approved public improvement bonds included funding for construction of a new facility for the Dougherty Arts Center which has been operating out of a naval reserve facility built in 1947. The project, destined for Butler Shores will begin its design phase in fiscal year 2022.

Government that Works for All – In an effort to bring internet access to all members of the community, the Telecommunications and Regulatory Affairs Division of the Financial Services Department will conduct and begin implementation of the Community Technology Study in 2022. More in house, the Office of Real Estate Services, previously a stand-alone division, will be incorporated into the Financial Services Department. This consolidation is intended to improve synergies and streamline implementation of the City's strategic facilities governance process.

As to capital spending for fiscal year 2022, Austin Energy accounts for the majority of the expenditures in this strategic outcome, ensuring the maintenance of and upgrades to the electric infrastructure to provide safe and uninterrupted electric service. Major projects include a new warehouse facility, a new downtown substation, as well as generation and transmission projects.

FINANCIAL INFORMATION

Internal Controls

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

Financial Policies

The City adopted a comprehensive set of Financial Policies to ensure that the City's financial resources are managed in a prudent manner and to provide a foundation for financial sustainability. Compliance with these policies is reviewed annually as part of the budget process. The policies and results of the review are published in the Approved Budget document. An important element of the policies dictates 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. The City maintains the goal of a structurally balanced budget to achieve long-term financial stability for the City.

Long-term Financial Planning

Austin leaders are continually looking towards and planning for the future. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the following year's operating budget. In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. A second plan covering a 10-year planning horizon, the Long-Range CIP Strategic

Plan, is updated biennially. This plan provides a data-driven approach to planning for how the City's future capital improvements support the way Austin functions and grows. Such an approach assists in aligning the City's CIP investments with the Imagine Austin Comprehensive Plan and the City Council's strategic priorities as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a rapidly growing community and strategic investments that support community priorities. City departments prepare a number of other long- and mid- range service plans that provide input into decisions made in the planning and budgeting process. These plans range from clean energy and climate protection to strategic mobility planning. Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. It also results in positive bond ratings, which measures the City's ability to repay its debt.

Budgetary Control

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

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one department to another. As demonstrated by the statements and schedules included in the 2021 Annual Report, the City continues to meet its responsibility for sound financial management.

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ADDITIONAL INFORMATION

Ten Largest Employers (As of September 30, 2021)

<u>Employer</u>	<u>Industry</u>	<u>Employees</u>	<u>Percent of MSA Total</u>
State Government	Government	39,685	3.42
The University of Texas at Austin	Education	28,061	2.42
HEB Grocery Stores	Grocery/Retail	19,008	1.64
Ascension Seton	Healthcare	15,218	1.31
Federal Government	Government	15,000	1.29
Walmart Stores Inc.	Retail	15,000	1.29
City of Austin	Government	14,964	1.29
Dell Computer Corporation	Computers	13,000	1.12
Amazon LLC	Retail	11,000	0.95
Austin Independent School District	Education	10,940	0.94

Source: 2021 Annual Comprehensive Financial Report

Demographic and Economic Statistics - Last Ten Years

<u>Year</u>	<u>City of Austin Population (1)</u>	<u>Area of Incorporation (Square Miles) (1)</u>	<u>Population MSA (2)</u>	<u>Income (MSA) (thousands of dollars) (2)</u>	<u>Median Household Income MSA (3)</u>	<u>Per Capita Personal Income MSA (3)</u>	<u>Unemployment Rate (MSA) (4)</u>
2012	821,012	319	1,834,926	85,635,903	46,818	46,670	5.7%
2013	841,649	321	1,883,901	88,950,627	46,436	47,216	5.2%
2014	878,002	321	1,943,409	97,181,958	49,227	50,006	4.2%
2015	899,919	323	2,002,591	103,244,100	52,519	51,555	3.4%
2016	925,491	326	2,062,211	107,664,294	56,163	52,208	3.3%
2017	946,080	325	2,115,230	117,458,116	56,849	55,530	3.1%
2018	963,797	326	2,168,316	127,439,164	63,191	58,773	2.9%
2019	980,886	327	2,187,161	138,650,094	65,950	63,393	2.6%
2020	961,855	327	2,235,584	150,639,599	69,001	67,400	6.3%
2021	975,321	327	2,298,224(6)	163,778,682(5)	71,186(6)	71,300(5)	3.5%
2012-2021 Change	18.79%	2.55%	25.25%	91.25%	52.05%	52.77%	

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

- (1) Source: City Demographer, City of Austin, Housing and Planning Department based on full purpose area as of April 1, 2021.
- (2) Source: Bureau of Economic Analysis for all years except 2020 which was not available at the time this table was published.
- (3) Source: Claritas, a Nielson Company.
- (4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30, 2021.
- (5) Data not available for 2021. Figures are estimated.
- (6) Source: Nielsen Site Reports.

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City Sales Tax Collections (In Millions) (1)

<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>
1-1-17	\$17.697	1-1-18	\$18.369	1-1-19	\$18.697	1-1-20	\$20.198	1-1-21	\$19.781	1-1-22	\$26.385
2-1-17	21.866	2-1-18	22.174	2-1-19	23.474	2-1-20	26.824	2-1-21	25.532	2-1-22	30.963
3-1-17	16.597	3-1-18	17.895	3-1-19	19.197	3-1-20	20.704	3-1-21	18.927	3-1-22	24.307
4-1-17	17.370	4-1-18	16.939	4-1-19	18.499	4-1-20	19.065	4-1-21	17.768	4-1-22	24.174
5-1-17	18.790	5-1-18	21.249	5-1-19	21.771	5-1-20	20.801	5-1-21	26.089	5-1-22	31.042
6-1-17	16.838	6-1-18	18.371	6-1-19	20.966	6-1-20	16.875	6-1-21	23.139	6-1-22	27.873
7-1-17	18.059	7-1-18	19.552	7-1-19	20.275	7-1-20	18.096	7-1-21	23.952	7-1-22	28.586
8-1-17	19.930	8-1-18	20.338	8-1-19	21.556	8-1-20	21.667	8-1-21	26.558		
9-1-17	17.401	9-1-18	19.701	9-1-19	21.797	9-1-20	19.750	9-1-21	25.021		
10-1-17	17.828	10-1-18	19.502	10-1-19	20.080	10-1-20	19.178	10-1-21	25.356		
11-1-17	19.382	11-1-18	20.661	11-1-19	22.017	11-1-20	22.036	11-1-21	28.990		
12-1-17	17.567	12-1-18	20.482	12-1-19	21.463	12-1-20	20.670	12-1-21	25.930		
	<u>\$213.40</u>		<u>\$219.33</u>		<u>\$235.23</u>		<u>\$249.79</u>		<u>\$287.04</u>		<u>\$193.33</u>

(1) Sales taxes are not pledged to the payment of the Obligations.

Source: City of Austin, Budget Office

Utility Connections

<u>Year</u>	<u>Utility Connections</u>		
	<u>Electric (1)</u>	<u>Water (1)</u>	<u>Gas (1)</u>
2011	417,865	212,752	213,365
2012	422,375	214,928	217,170
2013	430,582	217,070	216,688
2014	439,403	217,036	223,500
2015	450,479	223,164	228,700
2016	461,345	227,432	223,158
2017	472,701	231,014	226,749
2018	485,204	235,174	221,314
2019	496,258	239,291	238,753
2020	507,660	243,820	239,063
2021	520,757	247,037	240,263

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

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

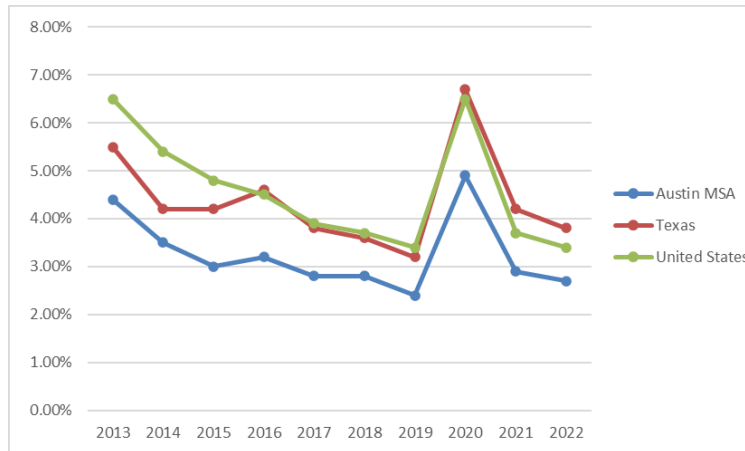
Employment by Industry in the Austin Metropolitan Area (1)

	2017		2018		2019		2020		2021	
		% of total		% of total		% of total		% of total		% of total
Mining, Logging, and Construction	62,100	6.00%	64,500	6.00%	69,000	6.18%	71,200	6.41%	73,300	6.29%
Manufacturing	57,400	5.55%	60,700	5.64%	62,500	5.60%	65,000	5.85%	64,800	5.56%
Trade, Transportation, and Utilities	174,800	16.89%	179,700	16.71%	184,800	16.56%	195,300	17.58%	190,300	16.32%
Information	30,800	2.98%	34,700	3.23%	38,400	3.44%	40,500	3.65%	45,100	3.87%
Financial Activities	60,200	5.82%	63,100	5.87%	66,200	5.93%	69,700	6.27%	73,000	6.26%
Professional and Business Services	177,600	17.16%	187,700	17.45%	198,700	17.80%	207,400	18.67%	235,200	20.18%
Education and Health Services	120,600	11.65%	125,300	11.65%	128,900	11.55%	124,900	11.24%	133,900	11.49%
Leisure and Hospitality	125,700	12.15%	130,700	12.15%	135,600	12.15%	106,400	9.58%	119,700	10.27%
Other Services	45,000	4.35%	46,300	4.30%	47,500	4.26%	42,300	3.81%	44,800	3.84%
Government	<u>180,700</u>	<u>17.46%</u>	<u>183,000</u>	<u>17.01%</u>	<u>184,600</u>	<u>16.54%</u>	<u>188,300</u>	<u>16.95%</u>	<u>185,600</u>	<u>15.92%</u>
Total nonfarm employment	<u>1,034,900</u>	<u>100%</u>	<u>1,075,700</u>	<u>100%</u>	<u>1,116,200</u>	<u>100%</u>	<u>1,111,000</u>	<u>100%</u>	<u>1,165,700</u>	<u>100%</u>

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

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

Average Annual Unemployment Rate



<u>Year</u>	<u>Austin MSA</u>	<u>Texas</u>	<u>U.S.A.</u>
2013	5.2%	6.3%	7.4%
2014	4.3%	5.2%	6.2%
2015	3.4%	4.5%	5.3%
2016	3.3%	4.6%	4.9%
2017	3.2%	4.3%	4.4%
2018	3.0%	3.9%	3.9%
2019	2.7%	3.5%	3.7%
2020	6.2%	8.9%	8.1%
2021	4.8%	6.6%	6.1%
2022(1)	3.1%	4.1%	3.6%

Source: U.S. Bureau of Labor Statistics as of September 20, 2022. Unemployment rates are non-seasonally adjusted. Information is updated periodically; the BLS revised certain prior year unemployment data for the Austin MSA on April 17, 2020 and for the State on March 4, 2020. (1) Reflects the June 2022 monthly unemployment rate.

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Housing Units

Rental rates in the City averaged \$1.91 per square foot, with an occupancy rate of 91.9% as of July 2022, per ApartmentData.Com.

Residential Sales Data (Austin-Round Rock MSA)

<u>Year</u>	<u>Number of Sales</u>	<u>Total Volume (\$)</u>	<u>Average Price (\$)</u>
2013	29,914	8,563,906,606	286,284
2014	30,073	9,213,870,475	306,383
2015	31,326	10,342,187,130	330,147
2016	32,580	11,292,237,627	346,600
2017	33,842	12,376,009,278	365,700
2018	34,656	13,156,532,792	379,632
2019	37,057	14,570,169,172	393,183
2020	40,311	17,629,901,730	437,347
2021	41,413	23,397,281,957	564,974
2022	18,430	11,911,777,953	640,274

Source: Real Estate Center at Texas A&M University; data as of June 2022.

City-Wide Austin Office Occupancy Rate

<u>Year</u>	<u>Occupancy Rate</u>
2013	89.2%
2014	90.9%
2015	90.9%
2016	91.8%
2017	89.5%
2018	89.4%
2019	89.4%
2020	90.0%
2021	80.7%
2022(1)	78.9%

(1) As of June 2022.

Source: Cushman & Wakefield.

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APPENDIX B
AUDITED FINANCIAL STATEMENTS

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City of Austin, Texas

Annual Comprehensive Financial Report

For the fiscal year ended September 30, 2021

2021



FINANCIAL SERVICES
DEPARTMENT



Front cover photograph provided by Austin FC.
Top row, middle and bottom right photographs provided by Waterloo Greenway Conservancy. Bottom left photograph courtesy of Alliance Children's Garden video footage by City of Austin Parks & Recreation Department.

Annual Comprehensive Financial Report



City of Austin, Texas

*For the year ended
September 30, 2021*

*Prepared by:
Financial Services Department –
Controller's Division*

*Ed Van Eenoo
Chief Financial Officer*

*Diana Thomas, CPA
Deputy Chief Financial Officer*

*Marija Jukic, CPA
Controller*

*Members of the Government Finance Officers Association
of the United States and Canada*



City Council

Steve Adler

Mayor

Term expires January 2023

Natasha Harper-Madison *Mayor Pro Tem (District 1)*

Term expires January 2023

Council Members	District	Term expiration
Vanessa Fuentes	2	January 2025
Sabino "Pio" Renteria	3	January 2023
Jose "Chito" Vela	4	January 2025
Ann Kitchen	5	January 2023
Mackenzie Kelly	6	January 2025
Leslie Pool	7	January 2025
Paige Ellis	8	January 2023
Kathie Tovo	9	January 2023
Alison Alter	10	January 2025

Spencer Cronk

City Manager

**CITY OF AUSTIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended September 30, 2021**

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**CITY OF AUSTIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended September 30, 2021**

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**CITY OF AUSTIN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended September 30, 2021**

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INTRODUCTION



City of Austin

City Hall 301 West 2nd St., P.O. Box 1088, Austin, Texas 78767

March 14, 2022

Honorable Mayor, Mayor Pro Tem and Council members, and Citizens of Austin
City of Austin, Texas

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Austin, Texas (the City) for the fiscal year ended September 30, 2021. The ACFR is provided to give detailed information about the financial position and activities of the City to citizens, City Council, City staff, and other readers.

City management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures. We believe the data, as presented, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. These financial statements have been prepared by the Financial Services Department in accordance with generally accepted accounting principles (GAAP) for local governments.

The basic financial statements and related notes have been audited by the independent firm of Certified Public Accountants, Deloitte & Touche LLP. This audit satisfies Article VII, Section 16 of the City Charter, which requires an annual audit of all accounts of the City by an independent Certified Public Accountant. Grant awards are being audited under the provisions of the Uniform Grant Guidance, and the *State of Texas Uniform Grants Management Standards*. The Single Audit report will be issued separately.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report. It provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

AUSTIN'S GOVERNMENT AND THE REPORTING ENTITY

General Information

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor who is elected at large and ten Council members who are elected by geographic district. The districts, drawn by an independent citizen's commission, are to be adjusted after each U.S. census. Following results of the 2020 Census, the Independent Citizens Redistricting Commission presented a certified map to City Council in October 2021, which will be in effect for the 2022 elections. The City's elected officials serve four-year staggered terms subject to a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees, except City Council appointees, and for the administration of all City affairs.

Austin, the capital of Texas, is the fourth most populous city in the state (behind Houston, San Antonio, and Dallas) and the eleventh largest in the nation with a September 2021 population of 975,321 according to the City's estimates (2020 figures were revised following release of the U.S. Census). Geographically, Austin consists of approximately 327 square miles. The current estimated median household income for Austin residents is \$71,186 according to Nielsen Site Reports and Austin's per capita personal income is estimated to be \$71,300 a 9.8% increase over 2020.

Austinites know that despite tremendous growth, Austin remains a very special place to live. Austin's special character in part derives from its diverse population, the unique beauty afforded being at the foothills of the hill country, as well as its reputation as a welcoming and collaborative community. Austin consistently ranks high in the *U.S. News & World Report* list of best places to live and ranked fifth for the 2021-2022 list. For quality of life, Austin

ranked 4th in the US and 8th worldwide in a quality-of-life index based in part on purchasing power, safety, health care, and pollution and climate.

Higher education is a significant aspect of life in the Austin area which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), a world-class center of education and research, consistently ranks in the top 10 largest public universities in the U.S. in terms of undergraduate enrollment. In the 2022 *U.S. News & World Report Best Colleges* survey, the university ranks tenth (tied) among public universities and its business programs were ranked fifth (tied) among national universities, both public and private. Also in a new global ranking, UT placed 43rd and was the top school in Texas.

Reporting Entity

This ACFR includes all funds of the City, including those organizations required to be included because the City is financially accountable for them. The City provides a full range of services, including general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; urban growth management; electric; water; wastewater; airport; convention; and other enterprise services. In addition, the financial statements include these separate legal entities: the Austin Housing Finance Corporation, the Austin Industrial Development Corporation, Austin-Bergstrom International Airport Development Corporation, the Mueller Local Government Corporation, and the Urban Renewal Agency. These entities are reported as governmental activities. Nacogdoches Power, LLC, a business-type activities component unit, is blended with Austin Energy. Additionally, the financial statements include Austin-Bergstrom Landhost Enterprises, Inc., Austin Convention Enterprises, Inc., Austin Economic Development Corporation, Austin Transit Partnership Local Government Corporation, and Austin Travis County Sobriety Center Local Government Corporation as discrete component units on the government-wide statements. Waller Creek Local Government Corporation is also a discrete component unit but had no financial activity during the year.

THE ECONOMIC OUTLOOK AND MAJOR INITIATIVES

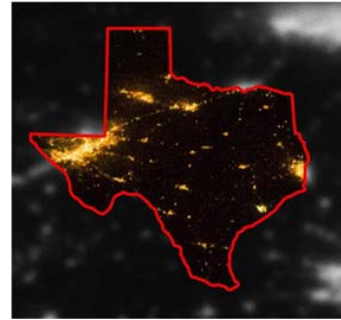
COVID-19

As with many communities across the nation, the first confirmed cases of COVID-19 in Austin occurred March 13, 2020, the same day it was declared a national emergency in the United States. The toll the COVID-19 pandemic took on the City and its residents may be difficult to quantify, but without a doubt the ongoing pandemic will be reflected upon as one of the most significant challenges the City faced in its 182-year history. And while the surge abated with the rollout of vaccines this past spring, COVID-19 remained a large part of the City's and the country's narrative for 2021. Particularly, the arrival of Delta and Omicron variants dampened the path to full recovery.

To assist in mitigating some of the worst financial consequences of the pandemic, the federal government passed several laws that provided funding for individuals, businesses, and state and local governments. In addition to the \$170.8 million the City received through the Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Relief Fund in fiscal year 2020, the City was also allocated \$188.5 million through the American Rescue Plan Act of 2021 (ARPA), Local Fiscal Recovery Fund. The first \$94.2 million tranche of ARPA funding was received in May 2021, with the remaining funding expected to be received in May 2022. In June, City Council approved an ARPA spending framework that focuses on residents, businesses, and organizations that were most impacted by the pandemic. Detail on that spending framework is provided within the Strategic Plan discussion later in this letter. Just under \$65 million from the U.S. Department of Treasury was awarded to the City for emergency rental assistance, of which approximately 86% has been dispersed. Additionally, the City received \$13.8 million in reimbursements from the Federal Emergency Management Agency for emergency protective measures taken to respond to the pandemic emergency. All federal COVID-19 monies carry strict limitations on how and when the funds can be spent. The City continues use of its extensive financial accounting and reporting controls to ensure compliance with the federal funding restrictions.

Winter Storm Uri

From February 14, 2021 through February 19, 2021, Texas experienced a severe winter weather event as Winter Storm Uri brought days of sub-freezing temperatures. The failure of infrastructure and power outages left 4 million Texas residents without power for significant stretches of the week. Austin Energy generation assets largely stayed online during the storm, though large segments of the City suffered prolonged blackouts, some lasting days. In the City, significant disruption to water service ultimately resulted in widespread water outages and a citywide boil water notice that lasted thru February 23, 2021. The impacts of the storm lasted considerably longer with many residents facing repairs due to burst water pipes and flooding. The Austin-Travis County After Action Report (AAR) evaluated the completeness of the response and level of preparedness, noting the complexity and magnitude of the event which overlapped the ongoing demands of the COVID-19 response operation. The AAR included an improvement plan to address shortfalls in order to adequately prepare for future events. In addition, City Council directed the City Auditor to undertake an audit of the city's response and established a Winter Storm Review Task Force to collect information from individuals and organizations on their experiences. Recommendations from the task force ranged from improving early-warning communications to improved coordination of services with community-led organizations. The City Auditor's Office also issued ten recommendations related to revising disaster plans, increasing staff and emergency supplies on-hand, and enhancing public communication. At the state level, new regulators have been appointed and several bills passed the Legislature to improve emergency preparedness, particularly the statewide electric grid and communications.



Local Economy

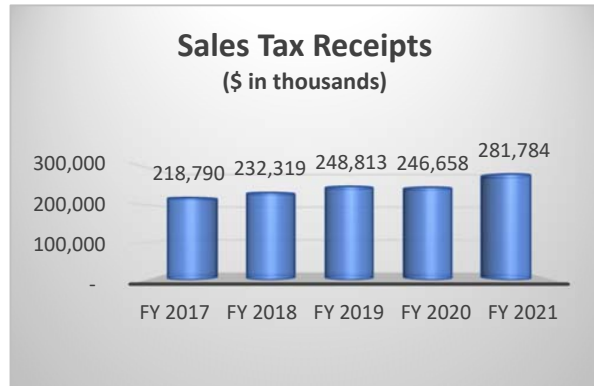
Keep Austin Weird is the City's unofficial tagline. It speaks to Austin's reputation as a creative and playful place to live. In the *Business Facilities 2021* report, the Austin metro ranked first for fastest-growing metros, and the Austin-Round Rock MSA maintained its third-place ranking in Milken Institute's *Best Performing Cities 2021* report.

The pandemic had less of an impact on Austin than other major metro areas in the country. Data from the Bureau of Economic Analysis shows GDP for the Austin metro area grew 1.2% compared to GDP for the metropolitan portion of the U.S. which in aggregate dropped 3.5% in 2020. As proof of Austin's attractiveness and resilience, the number of announcements in 2021 for business relocations and expansions in the Austin area doubled over 2020. Ninety businesses, varying in size and industry have pledged to create 11,700 direct jobs across the metro area. Among the list of those companies announcing moves to Austin include data center Digital Realty Trust, Inc., Amazing Magnets LLC, and digital banking company Green Dot Corp. Additionally, expansion of another 138 existing local businesses is expected to create another 15,000 jobs.

According to *Emerging Trends in Real Estate 2022*, published by PricewaterhouseCoopers U.S. and the Urban Land Institute, Austin landed fourth and fifth on the lists for overall real estate prospects and homebuilding prospects, respectively, in 2022. This report is the compilation of interviews and surveys of over 2,000 real estate professionals across all segments of the industry. Identified as a supernova market in the U.S., the report cites that the Austin metro area 'has long been among the brightest stars in the constellation and a darling for investors and developers alike'. The report also identifies Austin as a comparatively lower cost metro area that is attracting skilled workers from more traditional gateway markets.

Texas Economy – With a gross state product of \$2.0 trillion, Texas remains the second largest economy in the nation behind California. The long-term outlook for the State remains positive with strong employment, income and economic forecasts. According to the Real Estate Center at Texas A&M University, the Dallas Fed's Texas Business-Cycle Index increased 10.4% year-over-year in December. In one sign of tension, the Texas Consumer Confidence Index hit a post-pandemic high in June, but then fluctuated through the remaining months of the year amid mounting concerns regarding inflation and the ongoing pandemic, largely following national trends. In continued signs of the state's draw, Texas again added more residents for the year than any other state as of July 2021, according to U.S. Census estimates.

Employment – In 2021, Austin’s change in unemployment rates largely mirrored the state and nation’s trajectory of gradual improvement to pre-pandemic levels at the end of the year. For the Austin area, the employment landscape continues to be robust with the announcements of the relocations and expansions mentioned above. At 2.9%, Austin area unemployment in December ran below the state and national unemployment rates of 5.0% and of 3.9%, respectively. The intense demand for workers in the region may further drop the unemployment rate in 2022. The highest job growth sector for the Austin area in 2021 was in the leisure and hospitality sector with a 19.1% increase. This was also the greatest job loss sector in 2020, so its growth signals a return to positive economic activity in that sector. Professional and business services also saw significant year-over-year job gains.



Sales Taxes – Consumer spending growth (as measured by sales tax collections) reflects Austin’s population and economic growth. Sales tax collections in fiscal year 2021 experienced a 14.2% increase from fiscal year 2020, highlighting the strength of the area’s rebound from the pandemic. The expectation that sales tax collections in 2021 would be consistent with 2020 levels was conservative. All reported tax revenue streams increased in 2021 over the prior year, with the exception of franchise fees. Sales taxes revenue hit an historic high in 2021. The City anticipates sales tax growth to continue at a more moderate and consistent level over the next few years as the region continues to rebound from the economic disruption of the pandemic.

Tourism – Given tourism’s tremendous hit from COVID-19 in 2020 and the continued presence of variants through the year, 2021 provided an uneven recovery within the tourism ecosystem.

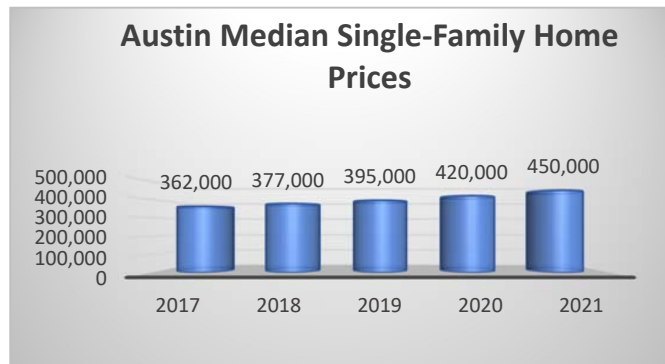
As anticipated, passenger traffic at Austin Bergstrom International Airport (ABIA) abruptly dropped in the spring of 2020 with the onset of the pandemic. However, after the first quarter of 2021, passenger traffic quickly regained ground. Activity during the last two months of the year even surpassed 2019 activity, with many airlines posting over 100% year-over-year increases. Airlines are signaling expectations that strong growth will continue by adding a record number of new non-stop flights from ABIA in 2021 to both national and international destinations.

While festivals have begun a slow comeback, the largest single-day sporting event in Austin occurred in October, with 140,000 attendees at the F1 race. Weekend attendance reached 400,000, even exceeding projections made by the event organizers. The much beloved Austin City Limits festival returned for two weekends in October, with attendance reportedly matching that of the 2019 festival at 450,000 total attendees. The inaugural games of Austin FC, Austin’s first and much-anticipated major league soccer team housed in a new facility known as Q2 Stadium, had the fifth highest attendance in the league with most games sold out.

The uncertainty of the pandemic made large gatherings difficult, resulting in a slower rebound for the Austin Convention Center in 2021. Hotel occupancy tax (HOT) revenues were marginally higher compared to fiscal year 2020, but still significantly lagging from prior years, reflecting the continued effect of COVID-19 on the conference and convention industries. In response, City Council approved a one-time \$4.8 million transfer from the Budget Stabilization Reserve Fund to the Cultural Arts Fund, a recipient of HOT revenue, to make up some of the shortfall.

Notable Developments – In November 2021, Samsung announced the selection of Taylor, Texas for its new \$17 billion chipmaking plant. Taylor lies northeast of Austin but is considered part of the Austin metro area. The 6 million-square-foot plant which will produce the company’s most advanced computer chips, is expected to employ 1,800 people directly, making a transformative change to the rural town. Electric car manufacturer Tesla Motors completed its new 5 million-square-foot factory and began production at the end of 2021. Also, Tesla announced in October 2021, the relocation of its headquarters from California to its plant at the southeastern edge of Travis County in the City’s extraterritorial jurisdiction. In speculative news, another semiconductor company, Micron, is considering central Texas for its next fabrication plant.

Real Estate – The real estate market in Austin and surrounding areas has continued its stratospheric rise in 2021, with growth in every sector, except commercial. As of December 2021, the median price of an Austin area home increased to an all-time high of \$450,000, a 7.1% increase from the previous year of \$420,000. In the Austin-Round Rock MSA, the total number of home sales in 2021 exceeded 41,000, 2.5% higher than 2020. These trends are expected to continue as inventory across the region remains low – unchanged at 0.6 months since December 2020. It has been speculated that lack of inventory and supply chain issues may lead to a decline in closed sales in 2022. Investors and international buyers, in addition to residents moving to the area, all contribute to the pressure on this market.



The multi-family sector faltered in 2020 due to the pandemic, but it rebounded in 2021. The pressures on single-family properties spilled over to multi-family as a shortage in inventory and increasing job growth put median rental prices in the metro area at an all-time high, increasing 25% year-over-year as of December, higher than all of the other major Texas metro areas. As a result, construction of multi-family projects is also seeing a boom, with 13,000 units under construction and another 37,000 proposed as of the end of the year.

As predicted, the Austin office market showed improved stabilization after dropping during 2020. Absorption, which was negative for the first time in over a decade in 2020, regained ground and ended 2021 in positive territory. The Austin metro area saw an increase to the overall commercial vacancy rate in 2021 of 20.7%, in comparison to 2020 at 16.7%, but subleasing activity saw a decline. Rental rates and new construction have also been impacted. City wide, Class A office space averaged \$49.02 per square foot in 2021, up from \$44.62 per square foot in 2020, according to CBRE Research. Prospects for development in the downtown area remain positive with builders constructing or planning to construct 2.1 million-square-foot of office space as of the end of the fourth quarter. Despite the increase in vacancy rates, there was almost 5 million-square-foot of new office space under construction in the Austin metro area, amid news that Austin ranked first among top targets for commercial real estate investment in 2021.

Industrial and warehouse space continued with strong growth in 2021. Vacancy rates dropped throughout the year and nearly 6.4 million-square-foot were under construction in the Austin metro area at the end of 2021. As of the fourth quarter 2021, the Austin market had 30 consecutive quarters of positive net demand. And while Austin is not considered a major industrial market nationally, it is considered on par with other cities its size and 'likely outperforms larger cities on a pound-for-pound basis' according to commercial real estate researchers at Jones Lang Lasalle.

Tax Abatements – Originally approved in 2003, the City's Economic Development Program was developed to identify and recruit diverse industries for job creation in the wake of the dot-com recession. The program has evolved and in 2018 the Chapter 380 policy and Economic Development Guiding Principles were adopted by City Council, creating the Business Expansion Program. The purpose of the policy is to balance the exchange of incentives with community values including equitable prosperity, opportunity, and affordability as envisioned in the Austin Strategic Direction 2023. The City has no tax abatement agreements. Instead, the City has performance-based incentive agreements where taxes are rebated to the entities after the entities have paid their taxes and have documented compliance with the performance-based requirements such as job creation and retention.

Funding for economic development incentive agreements is accounted for in the Economic Incentives Reserve Fund, which is reported as part of the General Fund. The fiscal year 2022 budget includes approved expenditures of \$11.7 million. Revenues are collected and held in reserve before being rebated to the entity the following year. Rebates are contingent upon compliance reviews confirming that expected benefits have been demonstrated.

Staff in the Economic Development Department are responsible for conducting annual compliance reviews, which are verified by an independent party using agreed upon procedures. Currently there are four active Chapter 380 agreements, which rebate a percentage of paid property and/or sales tax. The City anticipates \$4.5 billion in terms of total investment committed from these four agreements. There are other active economic development agreements under which payments are made to businesses based on a flat rate per job created, but they are not considered tax abatement agreements. A listing of the agreements along with payment and compliance reports and can be found at the City's open data portal by searching for economic development.

Major Initiatives

Efforts led by multiple city departments this year focused on curtailing the spread of COVID-19 and supporting the community including small businesses, individuals, and families to weather the unprecedented challenge of the global pandemic. The City has a highly dedicated and exceptional workforce that is committed to creating a work environment that fosters sustainable and equitable solutions, creative thinking, and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. City employees take enormous pride in their public service to our community.

Imagine Austin

Imagine Austin, a comprehensive plan for the City's future approved by City Council in June 2012, sets a context to guide decision-makers for the next 30 years. The plan adheres to six core principles established in collaboration with Austin citizens: (1) Grow as a compact, connected city, (2) Integrate nature into the city, (3) Provide paths to prosperity for all, (4) Develop as an affordable and healthy community, (5) Sustainably manage water, energy, and other environmental resources, and (6) Think creatively and work together.

Strategic Plan

In the spring of 2018, the City Council adopted a strategic plan, Strategic Direction 2023, to provide a shared vision for the City for the next five years. Strategic Direction 2023 is inspired by Imagine Austin, which laid out a 30-year vision for our community. Six priority strategic outcomes were identified to help develop and guide City policies, initiatives, and budget development. The six outcomes are:

- ❖ *Mobility* - getting us where we want to go, when we want to get there, safely and cost effectively;
- ❖ *Economic Opportunity and Affordability* - having economic opportunities and resources that enable us to thrive in our community;
- ❖ *Safety* - being safe in our home, at work, and in our community;
- ❖ *Health and Environment* - enjoying a sustainable environment and a healthy life, physically and mentally;
- ❖ *Culture and Lifelong Learning* - being enriched by Austin's unique civic, cultural, ethnic, and learning opportunities; and
- ❖ *Government that Works for All* - believing that city government works effectively and collaboratively for all of us - that is equitable, ethical and innovative.

As a result of the Strategic Direction 2023 effort, the annual budget presents departmental expenditure plans and measures in alignment with these six outcomes.

Mobility – The Austin Transit Partnership Local Government Corporation, created to oversee the Project Connect program, including a new rail system, a downtown transit tunnel, and expanded bus system established its board, brought on staff and approved its first full-year budget in September. The bulk of the funds will go toward the development of two new rail lines. In addition, approximately \$300 million will be transferred to the City over 13 years, to be used for transit-supportive, anti-displacement investments along the Project Connect System Plan.

Of the \$371.5 million total capital spending plan for Mobility initiatives in 2022, \$101.3 million, over 27%, is earmarked for capacity building of streets. These projects stem from multiple prior year bond packages and include the Corridor Construction Program, Regional Mobility projects with the Texas Department of Transportation, and various bikeway and intersection safety improvement projects. Improvements to the Violet Crown Trail, expected to be Austin's longest urban trail once completed, are also scheduled for completion in 2022. A new trail entrance at Zilker park will provide an overlook, gathering area and rain garden highlighting the importance of this mobility asset.



Planned entrance to the Violet Crown Trail in Zilker Park

Economic Opportunity and Affordability – Strategies for this outcome focus on reducing economic disparities by understanding and addressing their root causes. Funding was included in the Parks and Recreation Department operating budget for the Austin Civilian Conservation Corps (ACCC), a program designed to help Austinites economically impacted by COVID-19. ACCC partners with nonprofit organizations to hire and train crews to restore landscapes at City parks and conduct tree maintenance. These activities help to create more resilient landscapes while providing quality jobs and a living wage. Funding for this project comes from ARPA and the Budget Stabilization Fund.

Capital expenditures in the Housing and Planning department comprise nearly 70%, or \$81.3 million, of the total capital budget for this strategic outcome. The majority of the \$81.3 million comes from the 2018 Affordable Housing bonds which aim to continue the City's commitment to reach key affordable housing goal targets. The strategic vision is to create 60,000 affordable housing units for those making less than 80% of the median family income and ensure that there is affordable housing throughout the city. Ending homelessness continues to be a high priority item for City Council and because this issue cuts across all of the City's strategic outcomes, it is highlighted separately at the end of this section.

Safety – The Reimagining Public Safety (RPS) framework established in 2020 endeavors to prioritize a holistic approach to providing public safety services and community-centered crime prevention strategies to ensure that everyone in the community feels safe in their home and neighborhood. The fiscal year 2022 budget funds several public safety reform recommendations proposed by the City-Community RPS Task force, including enhanced funding for the Office of Violence Prevention and Victim Services within the Austin Police Department (APD). APD adopted a new training academy curriculum which was used with the 144th Police cadet class which began in June. The new program involves expanded community engagement and includes an independent monitor to evaluate the class and ensure the implementation of recommendations made as a result an assessment of the APD training academy last year.

As a result of the Winter storm Uri task force recommendations, the budget also contains funds for a one-time emergency preparedness campaign to encourage residents to prepare for potential emergencies. The operating budget for the safety outcome increased to \$1.1 billion for the fiscal year 2022 budget.

The capital budget for this strategic outcome is predominantly in support of the Austin Fire Department, which is in the process of constructing five new stations in six years as part of a City Council resolution adopted in 2018. Station 51, serving the Travis Country and Sunset Valley neighborhoods, opened over the summer and renovations on two other stations were completed.

Health and Environment – In 2021, Austin Public Health (APH) implemented a vaccine strategy that mobilized vaccine providers to fully vaccinate more than 68% of eligible Travis County residents. APH administered over 355,000 vaccine doses through mass clinics, mobile clinics, and traditional immunization clinics, while also improving outreach efforts. APH focused on improving equity in public information on COVID-19 by making outreach and education information available in multiple languages. Two townhall meetings captured public input in seven different languages to inform and improve vaccination processes.

Capital expenditures for this strategic outcome lie predominantly with Austin Water, which in fiscal year 2022 is scheduling upgrades to electrical systems, replacing aging infrastructure, and making advanced metering infrastructure improvements. The utility also has \$6.9 million budgeted in capital spending to expand its reclaimed water system infrastructure, allowing more customers to connect for irrigation, cooling towers and industrial uses. By improving efficiencies in the system, Austin Water can reduce operating costs in addition to conserving water resources.

Culture and Lifelong Learning - The majority of the fiscal year 2022 budget for this strategic outcome lies with the Austin Public Library for continued support of the Central Library as well as library branches across the City. The newly established Austin Economic Development Corporation (AEDC) will assist with the acquisition of creative spaces, which the Economic Development Department will oversee by contract with operators for the facilities. Also of note is funding of the Iconic Venue Fund to save and preserve Austin's iconic cultural venues and protect the city's unique creative cultural brand via a \$2.5 million transfer from the Budget Stabilization Fund. The Iconic Venue Fund is managed by the AEDC. With respect to capital spending, the 2018 voter approved public improvement bonds included funding for construction of a new facility for the Dougherty Arts Center which has been operating out of a naval reserve facility built in 1947. The project, destined for Buter Shores will begin its design phase in fiscal year 2022.

Government that Works for All – In an effort to bring internet access to all members of the community, the Telecommunications and Regulatory Affairs Division of the Financial Services Department will conduct and begin implementation of the Community Technology Study in 2022. More in house, the Office of Real Estate Services, previously a stand-alone division, will be incorporated into the Financial Services Department. This consolidation is intended to improve synergies and streamline implementation of the City's strategic facilities governance process.

As to capital spending for fiscal year 2022, Austin Energy accounts for the majority of the expenditures in this strategic outcome, ensuring the maintenance of and upgrades to the electric infrastructure in order to provide safe and uninterrupted electric service. Major projects include a new warehouse facility, a new downtown substation, as well as generation and transmission projects.

Ending Homelessness – Prominent national trends such as rising rent costs, insufficient affordable housing and other factors continue to push many into homelessness. Despite recent efforts by the City to invest in ending homelessness, the number of people experiencing homelessness did not significantly change between 2020 and 2021 according to counts by the Ending Community Homelessness Coalition. Homelessness has been highlighted separately as a community priority with a goal of making homelessness something that is rare, brief, and nonrecurring.

The appropriation framework that City Council adopted for homeless services in the fiscal year 2022 budget incorporates all six strategic outcomes and involves no fewer than 13 City departments and multiple community partners. The appropriation of \$67.2 million is allocated to the following four core components: Reducing Inflow, Crisis Response, Housing Stabilization, and Public Space Management, with the largest allocation going to Housing Stabilization (\$30.1 million). The majority of those funds, over 80%, are from the City's operating budget with the remainder from CIP funds and federal and state funding.

At a summit in April of 2021, a coalition of homeless advocates and city leaders set a goal to house 3,000 individuals experiencing homelessness over three years. The estimated cost was estimated at \$240 million for operating expenditures and \$275 million for capital expenditures. In May, a ballot initiative to ban public camping was approved by voters. The Texas legislature also passed House Bill 1925 which prohibited public camping, further stressing the need for the City to address the challenge of helping the unsheltered find housing.

The federal funding made available by ARPA through the City and Travis County meant that a portion of the goal addressed in the summit had been met. The City's portion came in at \$106.7 million and Travis County's at \$57 million. In October, the City's Homeless Strategy Officer presented the plan showing how the funding would be used to achieve the goal of housing 3,000 individuals and stabilizing another 2,300 households within the three years. That same day, representatives from social services groups and charitable foundations announced the beginning of an effort to raise the remaining funds from the private sector and philanthropic organizations.

FINANCIAL INFORMATION

Internal Controls

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

Financial Policies

The City adopted a comprehensive set of Financial Policies to ensure that the City's financial resources are managed in a prudent manner and to provide a foundation for financial sustainability. Compliance with these policies is reviewed annually as part of the budget process. The policies and results of the review are published in the Approved Budget document. An important element of the policies dictates 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. The City maintains the goal of a structurally balanced budget to achieve long-term financial stability for the City.

Long-term Financial Planning

Austin leaders are continually looking towards and planning for the future. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the following year's operating budget. In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. A second plan covering a 10-year planning horizon, the Long-Range CIP Strategic Plan, is updated biennially. This plan provides a data-driven approach to planning for how the City's future capital improvements support the way Austin functions and grows. Such an approach assists in aligning the City's CIP investments with the Imagine Austin Comprehensive Plan and the City Council's strategic priorities as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a rapidly growing community and strategic investments that support community priorities.

City departments prepare a number of other long- and mid- range service plans that provide input into decisions made in the planning and budgeting process. These plans range from clean energy and climate protection to strategic mobility planning.

Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. It also results in positive bond ratings, which measures the City's ability to repay its debt. A strong bond rating allows for lower interest expense. The City's bond ratings for general obligation bonds remained AAA, the highest rating available, for Standard & Poor's ratings. Moody's Investors Service, Inc. maintained the City's general obligation bonds in 2021 at Aa1 with a stable outlook. However, in August 2021 Fitch Ratings, Inc. downgraded the City's outstanding general obligation bonds to AA+ from AAA and assigned a stable outlook. The reasoning behind the downgrade involves the continued concern over pension liabilities and a new concern regarding the approval of a proposition in May 2021 which provides for binding arbitration on labor contract negotiations with the Austin Fire Association.

Actuarial funding data for the City Employees' and Police Officers' retirement plans show that both systems, while still underfunded, have made headway. The City is working with these systems to resolve the funding shortfalls and amortization periods have improved as a result. During 2021, the legislature approved, and the governor signed House Bill 4368 enacting substantial reforms to the Police Officers' retirement system. Effective January 1, 2022, a new tier was established for officers hired on or after that date and new contribution levels and methodologies were established. For the Police Officers' retirement system, the amortization period has decreased

from infinite to 31 years. The City increased funding to the City of Austin Employees' Retirement System in January 2021 which contributed to a reduction in its amortization period from 40 to 32 years.

Budgetary Control

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

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one department to another. As demonstrated by the statements and schedules included in the 2021 ACFR, the City continues to meet its responsibility for sound financial management.

Budgetary Information

Despite the constraint of the pandemic, the fiscal year 2022 Budget avoided furloughs and layoffs and maintained General Fund reserves at the newly established level of 14% (previously 12%) in compliance with financial policy thresholds. This was in part due to prudent financial management and the City's ability to leverage federal relief funds. The budget development process integrates a collaborative approach to the City's finances with business planning, performance measurement, and resident input. By organizing around City Council identified strategic outcomes, the document focuses more on the bigger picture and less on the details of departmental expenditures. Although this year's budget development process was also largely remote, input was gathered and evaluated to address the issues, concerns, and priorities identified by Austin's citizens, employees, boards and commissions, and Council members. The result is a budget built around the ideals of resiliency, affordability, equity, and inclusivity that dictate the operations of Austin's city government.

The balanced fiscal year 2022 Approved Budget totals \$4.7 billion and includes \$1.2 billion for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services for the citizens of Austin and visitors. Budgeted revenue comes from utility charges (46%), various taxes, including property tax (30%), charges for services and goods (13%), and other revenue such as interest, fees, and transfers (11%). The fiscal year 2022 budget was approved with a \$0.0075 increase to the property tax rate, from 53.35 to 54.10 cents per \$100 of taxable value. To lessen the impact of the tax increase, City Council approved an increase to the general homestead exemption raising it to 20%, the highest amount permitted by state law. The 3.5% tax cap established during the 2019 Texas legislative session went into effect in 2021. The City was able to balance the fiscal year 2022 budget within the 3.5% cap.

The City's largest enterprise department, Austin Energy, serves just over half a million customers within a service territory of approximately 437 square miles in the Greater Austin area. Austin Energy's approved fiscal year 2022 budget is \$1.5 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources such as solar and wind.

The City's second largest enterprise department is Austin Water, which provides water and wastewater services to more than one million retail and wholesale customers spanning more than 540 square miles within Austin and surrounding areas. The fiscal year 2022 budget projects revenues and transfers in of \$658.2 million. There are no planned changes to water and wastewater rates for fiscal year 2022.

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 an Annual Comprehensive Financial Report that meets the GFOA program standards. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2020 ACFR. The City has received this award for 14 consecutive

years. The certificate is valid for a period of one year only. City management believes that this 2021 ACFR conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for review.

The City also received the GFOA Distinguished Budget Presentation award for the 2021 budget, the 2021 Certificate of Excellence in Performance Measurement from the ICMA, and the Achievement of Excellence in Procurement from the National Procurement Institute in 2020.

GFOA also recognized Austin Water in 2021 with an Award for Excellence in Government Finance. The utility's debt management strategies have not only saved customers nearly \$700 million since 2016, but they have allowed for increasing affordability for customers as well as improving and maintaining critical infrastructure for Austin's growing population.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the dedicated services of the Financial Services Department – Controller's staff. Other departments and offices of the City have also contributed directly or indirectly to the preparation of this report: the Budget and Treasury divisions within the Financial Services Department, the Office of the City Auditor, the financial staff at Austin Energy and other financial staff throughout the City. We would like to express our appreciation to all who assisted in this effort.

We acknowledge the thorough, professional, and timely manner in which our independent auditor, Deloitte & Touche LLP, conducted the audit.

Finally, we acknowledge the Mayor and Council members as well as the City Manager, who have consistently supported the City's goal of excellence in all aspects of financial management. Your support is greatly appreciated.

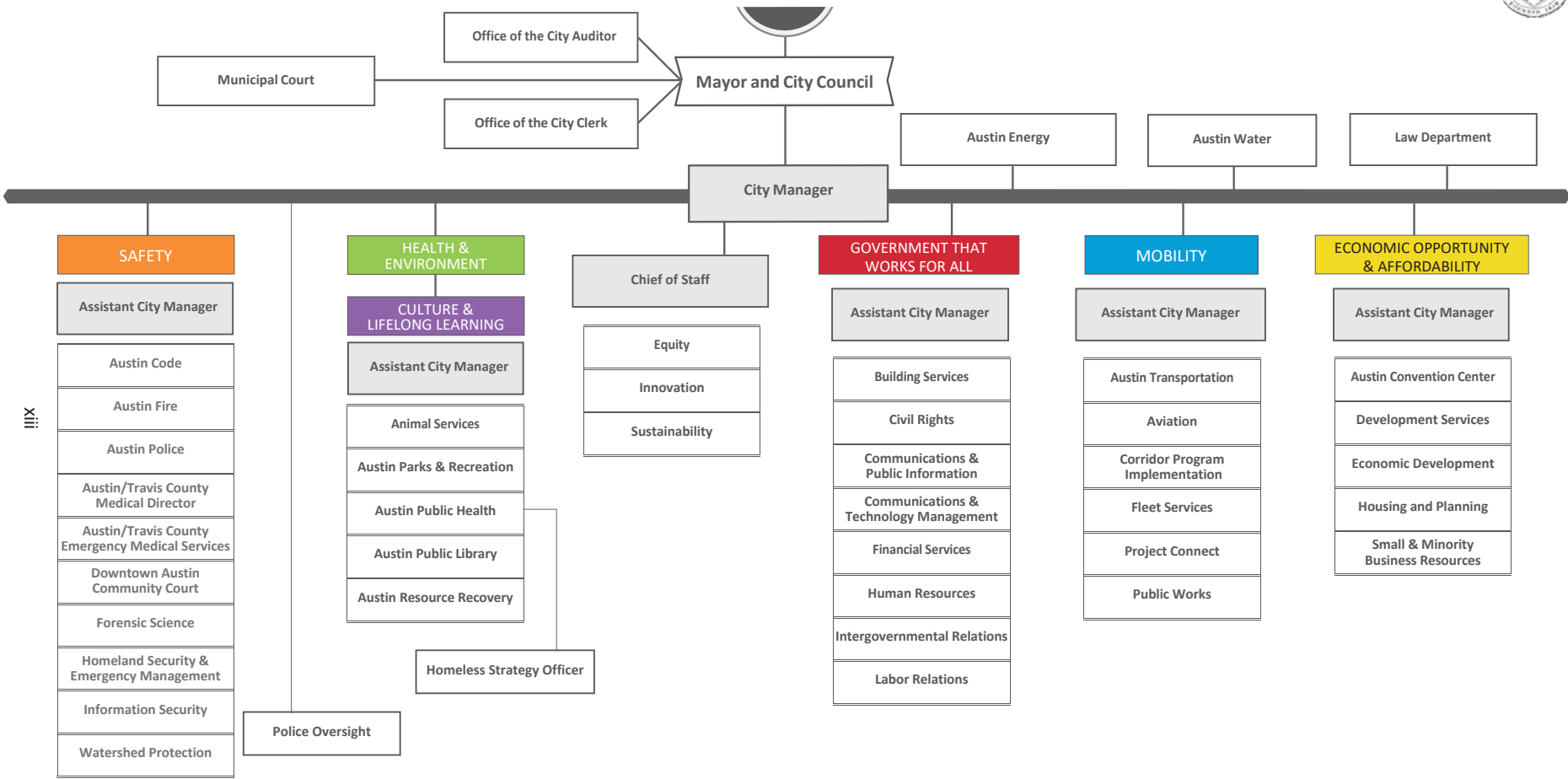


Ed Van Eenoo
Chief Financial Officer



Marija Jukic, CPA
Controller





ix

OUR VISION: Austin is a beacon of sustainability, social equity, and economic opportunity; where diversity and creativity are celebrated; where community needs and values are recognized; where leadership comes from its community members; and where the necessities of life are affordable and accessible to all.

CITY OF AUSTIN
STRATEGIC DIRECTION

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Austin, Texas for its Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2020.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. City management believes that this 2021 Annual Report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for their review.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Austin
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Austin-Bergstrom Landhost Enterprises Inc. (ABLE), Austin Convention Enterprises Inc. (ACE), Austin Economic Development Corporation (AEDC), and Austin Transit Partnership Local Government Corporation (ATP), which represent 99.9%, 99.8%, and 99.2%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports, one of which (ABLE) contains an emphasis of matter paragraph related to a going concern issue, have been furnished to us, and our opinion, insofar as it relates to the amounts included for ABLE, ACE, AEDC, and ATP, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the basic financial statements, the City adjusted its beginning net position and fund balance as of October 1, 2020, to reflect the impact of the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this change.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected

to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

March 14, 2022

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

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. 86, No. 88 through No. 90, No. 92 and No. 93, No. 95, No. 97 and No. 98.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2021, resulting in \$3.2 billion of net position. Net position associated with governmental activities is a deficit of approximately \$792.5 million, while the net position associated with business-type activities is approximately \$4.0 billion, or 124.5% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is \$4.6 billion, or 142.8% of total net position.

The City's unrestricted net position is a deficit of \$2.8 billion. Unrestricted net position for governmental activities is a deficit of \$3.3 billion, while unrestricted net position for business-type activities is approximately \$509.3 million, or 12.7% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of \$1.3 billion and other postemployment benefits (OPEB) liability of \$2.6 billion.

During fiscal year 2021, total net position for the City of Austin decreased \$191.4 million or 5.6%. Of this amount, governmental activities decreased \$198.9 million, or 33.5% from the previous year and business-type activities increased \$7.5 million, or 0.2%.

Total revenues for the City increased \$190.0 million; revenues for governmental activities increased \$279.7 million; revenues for business-type activities decreased \$89.7 million. Total expenses for the City increased \$47.7 million; expenses for governmental activities increased \$210.1 million; expenses for business-type activities decreased \$162.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

a -- Government-wide financial statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

a -- Government-wide financial statements, continued

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

The government-wide financial statements also include six discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), Austin Economic Development Corporation (AEDC), Austin Transit Partnership Local Government Corporation (ATP), Austin Travis County Sobriety Center Local Government Corporation (SCLGC), and Waller Creek Local Government Corporation (WCLGC). These entities are legally separate entities that do not meet the GASB reporting requirements for inclusion as part of the City's operations; therefore, data from these units are shown separately from data of the City. More information on these entities can be found in Note 1, including how to get a copy of separately audited financial statements for ABLE, ACE, AEDC, ATP, and SCLGC. WCLGC activities are recorded in the City's financial system and City staff prepares the financial reports for this entity. There was no WCLGC activity in fiscal year 2021.

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 balances, 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 funds 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, 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 and Technology; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

b -- Fund financial statements, continued

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

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

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 sixteen separately budgeted activities, all of which comprise the General Fund for GAAP reporting. RSI provides a comparison of revenues, expenditures and other financing sources and uses to budget and demonstrates budgetary compliance. In addition, trend information related to the City’s retirement and other postemployment benefits plans is presented in RSI. Following the RSI are other statements and schedules, including the combining statements for nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net position

The City restated the beginning net position for governmental activities as a result of the implementation of GASB Statement No. 84, "Fiduciary Activities." For more information, see Note 19.

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

Condensed Statement of Net Position						
as of September 30						
(in thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current assets	\$ 798,949	779,982	1,839,337	1,867,245	2,638,286	2,647,227
Capital assets	3,534,103	3,305,902	9,233,077	8,974,945	12,767,180	12,280,847
Other noncurrent assets	393,899	246,952	3,102,554	2,854,365	3,496,453	3,101,317
Total assets	<u>4,726,951</u>	<u>4,332,836</u>	<u>14,174,968</u>	<u>13,696,555</u>	<u>18,901,919</u>	<u>18,029,391</u>
Deferred outflows of resources	<u>1,682,325</u>	<u>1,576,856</u>	<u>1,126,855</u>	<u>1,021,150</u>	<u>2,809,180</u>	<u>2,598,006</u>
Current liabilities	631,759	503,997	627,429	582,656	1,259,188	1,086,653
Noncurrent liabilities	5,425,174	5,712,633	8,832,303	8,403,024	14,257,477	14,115,657
Total liabilities	<u>6,056,933</u>	<u>6,216,630</u>	<u>9,459,732</u>	<u>8,985,680</u>	<u>15,516,665</u>	<u>15,202,310</u>
Deferred inflows of resources	<u>1,144,823</u>	<u>286,661</u>	<u>1,816,505</u>	<u>1,713,928</u>	<u>2,961,328</u>	<u>2,000,589</u>
Net position:						
Net investment in capital assets	2,208,451	1,999,355	2,408,833	2,303,795	4,617,284	4,303,150
Restricted	265,681	242,516	1,107,411	1,085,723	1,373,092	1,328,239
Unrestricted (deficit)	<u>(3,266,612)</u>	<u>(2,835,470)</u>	<u>509,342</u>	<u>628,579</u>	<u>(2,757,270)</u>	<u>(2,206,891)</u>
Total net position	<u>\$ (792,480)</u>	<u>(593,599)</u>	<u>4,025,586</u>	<u>4,018,097</u>	<u>3,233,106</u>	<u>3,424,498</u>

In the current fiscal year, total assets increased \$872.5 million and deferred outflows of the City increased by \$211.2 million. Total liabilities increased \$314.4 million and deferred inflows increased by \$960.7 million. Governmental-type total assets increased by \$394.1 million and business-type increased by \$478.4 million, while governmental-type liabilities decreased by \$159.7 million and business-type increased by \$474.1 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of \$228.2 million as the City continues to build out projects from the 2012, 2016, and 2018 bond programs. Factors in the decrease of governmental-type liabilities of \$159.7 million include a decrease in net pension liability of \$797.2 million offset by an increase in OPEB liability of \$482.4 million, bonds payable of \$40.6 million, and other liabilities of \$74.4 million. A 3.15% increase in the discount rate used in calculating the Police Officers' fund net pension liability resulted in a decrease of \$711.4 million. The discount rate changed as the result of legislative changes to both the City and Police Officer contributions to the system. The increase in OPEB liability is primarily due to the change in discount rate assumption from 2.74% to 2.12%.

The most significant factor in the increase of business-type total assets is related to the \$258.1 million in capital assets, of which approximately \$106.6 million is related to various water and wastewater treatment plant improvements including installation of advanced metering infrastructure, construction of the North Austin Reservoir, and pump station improvements. Another factor is an increase in regulatory assets, which consists of a \$111.6 million increase in Austin Energy deferred depreciation and a combined increase of \$97.6 million in deferred pension and OPEB expenses for Austin Energy and Austin Water. The primary factors in the increase in business-type total liabilities of \$474.1 million include an increase in both the OPEB liability of \$359.5 million and bonds payable of \$249.2 million offset by a decrease in commercial paper of \$187.9 million.

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.2 billion at the end of the current fiscal year. However, the largest portion of the City's net position is represented in the net investment in capital assets (e.g. land, buildings, and equipment offset by related debt), which is \$4.6 billion, or 142.8% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, \$1.4 billion of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance is a deficit of \$2.8 billion of unrestricted net position. Unrestricted net position decreased \$550.4 million in the current fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

a—Net position, continued

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for business-type activities. However, both governmental activities and the government as a whole, reported deficits of \$3.3 billion and \$2.8 billion for unrestricted net position, respectively.

b -- Changes in net position

Condensed Statement of Changes in Net Position						
September 30						
(in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 126,643	119,052	2,461,429	2,527,607	2,588,072	2,646,659
Operating grants and contributions	182,566	190,534	32,377	24,383	214,943	214,917
Capital grants and contributions	99,864	60,724	150,385	147,545	250,249	208,269
General revenues:						
Property tax	937,352	732,336	--	--	937,352	732,336
Sales tax	281,784	246,658	--	--	281,784	246,658
Franchise fees and gross receipts tax	120,085	117,810	--	--	120,085	117,810
Interest and other	40,374	41,862	3,187	37,553	43,561	79,415
Special item - land sale	--	--	--	--	--	--
Total revenues	<u>1,788,668</u>	<u>1,508,976</u>	<u>2,647,378</u>	<u>2,737,088</u>	<u>4,436,046</u>	<u>4,246,064</u>
Program expenses:						
General government	327,126	283,532	--	--	327,126	283,532
Public safety	853,434	842,450	--	--	853,434	842,450
Transportation, planning, and sustainability	232,056	88,948	--	--	232,056	88,948
Public health	204,819	278,340	--	--	204,819	278,340
Public recreation and culture	185,110	178,481	--	--	185,110	178,481
Urban growth management	242,225	162,677	--	--	242,225	162,677
Interest on debt	68,724	69,002	--	--	68,724	69,002
Electric	--	--	1,256,788	1,345,003	1,256,788	1,345,003
Water	--	--	245,336	318,889	245,336	318,889
Wastewater	--	--	232,053	263,230	232,053	263,230
Airport	--	--	213,129	216,183	213,129	216,183
Convention	--	--	65,938	76,382	65,938	76,382
Environmental and health services	--	--	155,957	134,680	155,957	134,680
Public recreation	--	--	10,293	9,681	10,293	9,681
Urban growth management	--	--	334,450	312,267	334,450	312,267
Total expenses	<u>2,113,494</u>	<u>1,903,430</u>	<u>2,513,944</u>	<u>2,676,315</u>	<u>4,627,438</u>	<u>4,579,745</u>
Excess (deficiency) before transfers	(324,826)	(394,454)	133,434	60,773	(191,392)	(333,681)
Transfers	125,945	70,698	(125,945)	(70,698)	--	--
Increase (decrease) in net position	<u>(198,881)</u>	<u>(323,756)</u>	<u>7,489</u>	<u>(9,925)</u>	<u>(191,392)</u>	<u>(333,681)</u>
Beginning net position, as previously reported	(600,610)	(276,854)	4,018,097	4,028,022	3,417,487	3,751,168
Restatement adjustment	7,011	--	--	--	7,011	--
Beginning net position, as restated (see Note 19)	<u>(593,599)</u>	<u>(276,854)</u>	<u>4,018,097</u>	<u>4,028,022</u>	<u>3,424,498</u>	<u>3,751,168</u>
Ending net position	<u>\$ (792,480)</u>	<u>\$(600,610)</u>	<u>4,025,586</u>	<u>4,018,097</u>	<u>3,233,106</u>	<u>3,417,487</u>

Total net position of the City decreased by \$191.4 million in the current fiscal year. Governmental net position decreased by \$198.9 million. The decrease is attributable to expenses exceeding revenues by \$324.8 million before transfers from other funds of \$125.9 million. Business-type net position increased by \$7.5 million due to revenues exceeding expenses of \$133.4 million before transfers of \$125.9 to other funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

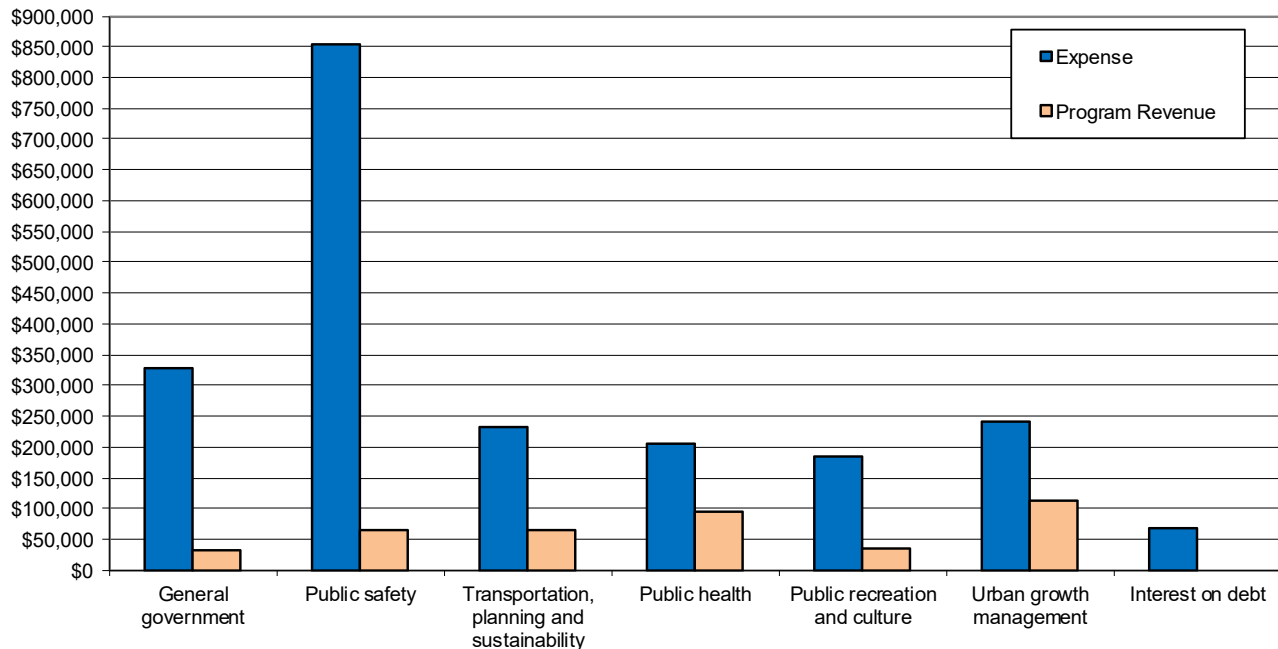
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City’s net position by \$198.9 million in fiscal year 2021, a 33.5% decrease of governmental net position from the previous year. The primary reason for the decrease in net position is due to expenses related to the ongoing COVID-19 response effort, which the City anticipates to recover through the Federal Emergency Management Agency (FEMA) Public Assistance program in subsequent fiscal years. Additional factors that contributed to the change from fiscal year 2020 to 2021 are as follows:

- Property taxes increased \$205.0 million due to an increase in assessed property values of \$8.1 billion as well as a property tax rate increase from \$0.4431 to \$0.5335 per \$100 of valuation. Approximately \$150 million of this amount, or \$0.0875 of the \$0.0904 total tax rate increase, was approved by voters in November 2020 to fund the Project Connect System Plan (Project Connect). On the expense side, transportation, planning, and sustainability expenses increased by \$143.1 million as a result of the payment of these tax collections to ATP for the implementation of Project Connect.
- General government expenses increased by \$43.6 million due to a \$21.2 million transfer of support service functions from the Police Department to the Support Service fund and an increase of \$17.3 million related to pandemic response for various emergency relief programs.
- Public health expenses decreased by \$73.5 million due to the decrease in expenses funded by the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) Coronavirus Relief Fund (CRF). Additionally, the City’s grants and contributions also decreased by \$95.2 million due to the decrease in CARES–CRF federal assistance, which supported emergency management, public safety costs, quarantine facilities, rental assistance, and various economic support programs.
- Urban growth management expenses increased by \$79.5 million primarily due to expenses funded by the Emergency Rental Assistance program in the amount of \$55.9 million. In addition, AHFC purchased \$20.6 million of land for use towards housing assistance and housing projects.

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)**

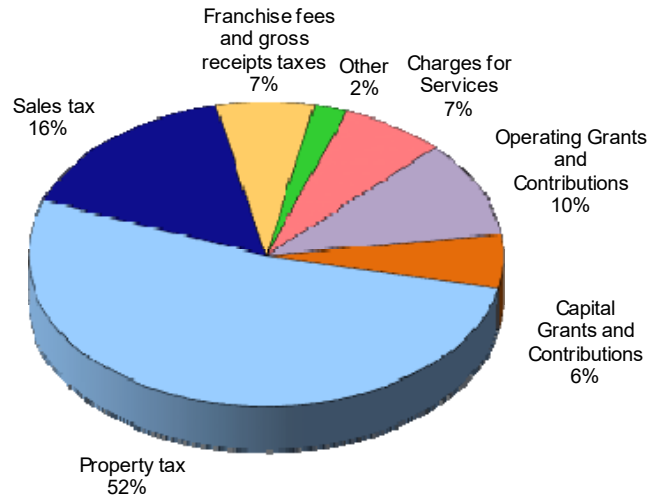


FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c -- Program revenues and expenses -- governmental activities, 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 operating grants and contributions.

Government-wide Revenues by Source -- Governmental Activities



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

Business-type activities increased the City's net position by approximately \$7.5 million, accounting for a 0.2% increase in the City's total net position. Key factors include:

- Austin Energy net position decreased \$56.2 million. This decrease can be attributed to lower base revenue and interest income due to lower utility usage and lower interest rates on investments.
- Austin Water net position increased approximately \$116.4 million. Revenues remained constant from the previous year. Expenses decreased by 18% mainly due to a regulatory accounting adjustment to deferred depreciation.
- Airport net position increased approximately \$5.4 million. Revenue increased 13.3% due to a steady increase in passenger traffic, resulting in an increase of rental revenue, landing fees, and parking revenue. In addition, Airport received \$8.4 million more in CARES-CRF grant funds than the prior year. Expenses decreased 1.4%, due to a decrease in operating and maintenance expenses.
- Convention Center net position decreased approximately \$16.4 million. Revenues decreased 63.9% due to the cancellation of events because of COVID-19. As a result of the decrease in events, revenues from facility, food and beverage concessions decreased. Parking revenues also saw a decrease due to the loss of contract, daily, and event parking. Cost containment measures, such as a hiring freeze, were put in place to help mitigate the decrease in revenues. These measures allowed for operating expenses in personnel, contractual, and commodities to decrease, which aided in overall expenses decreasing by 13.7%.
- Environmental and health services is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position decreased approximately \$24.9 million. Revenues increased 9.7% due mainly to an increase in the base fee for residential accounts and an increase in revenue from the Clean Community Fee. Expenses increased by 15.8% primarily due to an increase in the OPEB liability and an increase in the landfill post closure liability estimate.

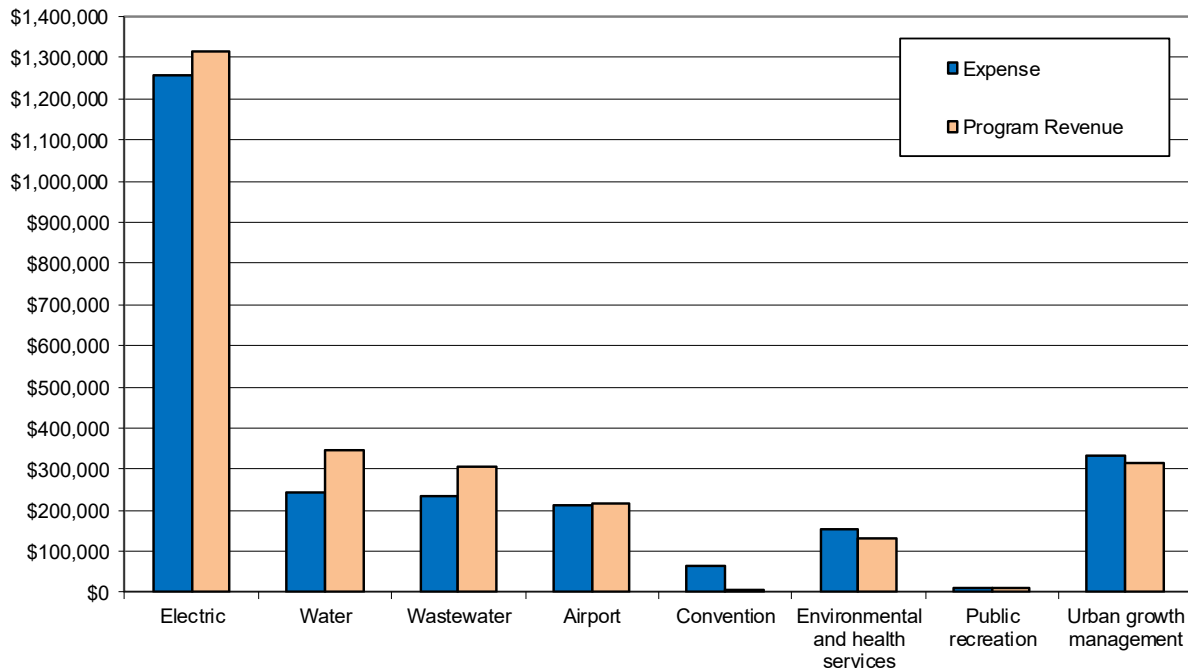
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

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

- Urban growth management activities are comprised of the following nonmajor enterprise funds: Development Services, Drainage, and Transportation. Net position for the urban growth management activities decreased by approximately \$18.1 million.
 - Development Services revenues increased by 12.2%, primarily as a result of increased revenues generated from review, permitting, and inspections associated with residential and commercial development. Expenditures increased 1.3% overall, with the primary drivers being an increase in employee wages, fleet maintenance and fuel allocations, and other overhead costs. Although revenues increased by a greater amount than expenses, the fund still experienced a \$6.6 million loss in net position.
 - Drainage revenues decreased 14.1% primarily due to a decrease in contributions of \$26.0 million from prior year related to phase two of the home buyout program. Expenses increased 11.4% due to the addition of 34 positions, administrative support, interdepartmental charges, and services related to the homelessness encampment cleanup.
 - Transportation revenues increased 3.6%, because of a \$0.25 increase in the monthly Transportation User Fee coupled with the effects of population growth. Expenditures increased 7.6% overall with the primary drivers being an increase in service contracts and an increase in the OPEB liability estimate.

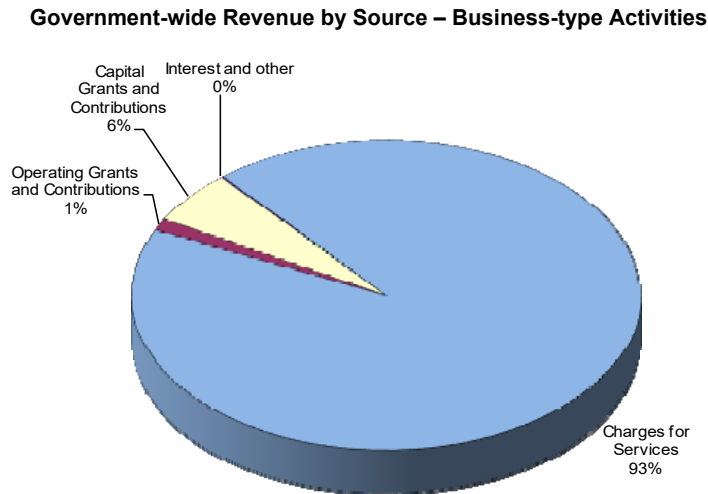
As shown in the following chart, Austin Energy (electric), with expenses of \$1.3 billion is the City's largest business-type activity, followed by urban growth management with \$334.5 million, water with \$245.3 million, wastewater with \$232.1 million, airport with \$213.1 million, environmental and health services with \$156.0 million, convention with \$65.9 million, and public recreation with \$10.3 million. For the fiscal year, expenses exceeded revenues for convention, environmental and health services, and urban growth management activities.

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



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued
d -- Program revenues and expenses -- business-type activities, continued

For all business-type activities, charges for services provide the largest percentage of revenues, followed by capital grants and contributions, operating grants and contributions, and interest and other revenues.



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’s governmental funds reported combined ending fund balances of \$559.4 million, a decrease of \$25.9 million from the previous year. Approximately \$4.4 million is nonspendable, \$300.0 million is restricted, \$59.1 million is committed, \$244.0 million is assigned, and a deficit of \$48.3 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 \$3.4 million, assigned fund balance of \$116.4 million, and unassigned fund balance of \$153.3 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 13.5% of total General Fund expenditures of \$1.1 billion, and total fund balance represents 24.0% of expenditures. The City’s financial policies provide that surplus fund balance be identified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance identified for budget stabilization was \$68.8 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, if the reserve exceeds six percent of total General Fund requirements, but such appropriation should not exceed one-third of the total amount in the reserve.

The fund balance of the General Fund increased \$1.0 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased \$34.8 million due primarily to an increase in assessed property values.
- Sales tax revenue increased \$35.1 million due to economic growth and revival of activity from the pandemic.
- General government expenditures increased by \$38.3 million due to the City’s ongoing COVID-19 response activities.
- Public Safety expenditures increased by \$78.9 million as a result of the decrease in CARES-CRF funded reimbursements.
- Transfers in increased by \$14 million to help fund various iconic venue, business preservation, and COVID-19 response programs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by \$10.2 million before consolidation of the internal service funds activities.

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

OTHER INFORMATION

a -- General Fund budgetary highlights

There were several budget amendments during fiscal year 2021:

- The Police Department expense budget, transfers in and transfers out decreased by \$27,994,537 for the creation of two new departments: Emergency Communications (\$16,085,640) and Forensic Science (\$11,908,897). In addition, the Police Department expense budget decreased and transfers out increased due to the Alarm Permitting Unit moving to the Development Services Fund (\$551,790). There was an additional decrease to transfers in and transfers out of \$17,309,632 due to the movement of support functions to the Support Services Fund.
- Other Urban Growth Management expenses and transfers in increased by \$2,400,000 due to the creation of the new Iconic Venue Fund.
- Neighborhood Housing - Housing Trust Fund transfers out increased \$13,250,000 and Housing and Planning expenses decreased by \$900,000 to support the Capital-Housing Trust Fund.
- General City Responsibilities expense budget increased by \$18,800,000 and transfers in increased by \$8,800,000 due to the following ongoing COVID-19 response activities:
 - \$15,000,000 for Save Austin's Vital Economic Sectors (SAVES) program to support COVID-19 emergency relief.
 - \$1,500,000 to provide economic recovery support to local businesses impacted by COVID-19 and to support emergency food access
 - \$2,300,000 for business preservation

During the year, actual-budget basis revenues were \$37.2 million more than budgeted. Property taxes were \$17.2 million more than budgeted due to an increase in overall property values. Sales taxes were \$36.5 million more than budgeted due to ongoing COVID-19 economic recovery. Traffic and other fines were \$2.3 million less than budgeted due to a combination of less tickets issued as well as Municipal Court closures when COVID-19 risk levels were high. Recreation and culture revenues were \$5.2 million less than budgeted due to reduced services as part of the COVID-19 response. Interest was \$2.2 million lower than budgeted due to significantly lower interest rates than expected.

Actual-budget basis expenditures were \$5.1 million less than budgeted. Most departments were under budget except for Austin Public Health, which was over budget by \$0.7 million. General City Responsibilities was over budget by \$31.6 million, due to ongoing COVID-19 response. In addition, the City realized less reimbursements related to CARES-CRF in fiscal year 2021 which lead to expense refunds being under budget. EMS was under budget \$1.8 million due to fewer events requiring EMS services and less travel due to COVID-19 restrictions. Fire was under budget \$2.6 million due to higher than expected FEMA and Travis County reimbursements and lower than expected contractual costs due to COVID-19 restrictions. Police was under budget by \$1.2 million due to the Reimagining Public Safety initiative. Library was under budget \$3.9 million due to a high employment vacancy rate from higher than expected turnover and retirements. Parks and Recreation was under budget \$7.3 million due to reduced services as part of the COVID-19 response. Housing and Planning was under budget \$13.2 million due to lack of projects which met the criteria specified in the ordinance, projects in the early development stage for which funds were budgeted but not encumbered or spent, and the prioritization of federally funded COVID-19 relief programs related to displacement prevention. Other Urban Growth Management was under budget \$6.2 million due to federal funding reimbursements from CARES-CRF and SAVES for COVID-19 response activities. The total budget-basis fund balance at year-end was \$208.6 million.

OTHER INFORMATION, continued

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2021, total \$12.8 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, plant and equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land and improvements, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was \$486.3 million, with an increase of 6.9% for governmental activities and an increase of 2.9% for business-type activities. Additional information regarding the City's capital assets can be found in Note 5. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation and Amortization (in millions)						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Building and improvements	\$ 917	828	2,261	2,250	3,178	3,078
Plant and equipment	88	98	2,557	2,446	2,645	2,544
Vehicles	77	62	103	86	180	148
Electric plant	--	--	2,429	2,434	2,429	2,434
Non-electric plant	--	--	167	175	167	175
Nuclear fuel	--	--	51	47	51	47
Water rights	--	--	78	79	78	79
Infrastructure	1,717	1,711	--	--	1,717	1,711
Land and improvements	483	409	811	787	1,294	1,196
Construction in progress	222	168	747	644	969	812
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	30	30	6	4	36	34
Total net capital assets	\$ 3,534	3,306	9,233	8,975	12,767	12,281

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

- Governmental capital assets increased \$228.2 million primarily due to additions of new facilities and improvements to existing facilities. Significant additions and improvements include acquisitions of parkland, pedestrian and cycling facility improvements, and street reconstructions funded by 2012, 2016, and 2018 bond programs. During the fiscal year, construction was completed at Waterloo Park and the City of Austin FIRE51 and EMS40 station in Southwest Austin. Additionally, the City closed on the purchase of two additional hotels to continue to meet future needs of people experiencing homelessness in the community.
- Business-type activities purchased, constructed, or received capital asset contributions of \$258.1 million. Asset additions included ongoing construction of an updated data center for IT services and completion of a consolidated maintenance facility at the Airport, installation of advanced water metering infrastructure, and construction of the North Austin Reservoir and pump station improvements. Additionally, Austin Energy closed on the purchase of their new corporate headquarters, the Mueller Office Building.

OTHER INFORMATION, continued

c -- Debt administration

At the end of the current fiscal year, the City reported \$7.5 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	
	2021	2020	2021	2020	2021	2020
General obligation bonds and other tax supported debt, net	\$ 1,527	1,487	71	80	1,598	1,567
Commercial paper notes, net	--	--	179	366	179	366
Revenue bonds, net	--	--	5,461	5,228	5,461	5,228
Revenue notes from direct placements, net	--	--	198	173	198	173
Capital lease obligations	21	26	1	1	22	27
Total	\$ 1,548	1,513	5,910	5,848	7,458	7,361

During fiscal year 2021, the City's total outstanding debt increased by \$96.8 million. The City issued new debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Outstanding debt for governmental activities increased by \$35.5 million. The resulting net increase is a combination of the issuance of \$268.1 million in new debt to be used primarily for facility improvements, water quality protection, streets and mobility, new fire stations, a planning and development center, capital equipment, curbside composting expansion, and affordable housing, offset by the refunding portion of the issuance of \$98.8 million and debt payments during the year.
- Outstanding debt for business-type activities increased by \$61.3 million. The City issued \$227.5 million of Electric Utility System Revenue Refunding and Improvement bonds for the construction and acquisition of Austin Energy's new headquarters complex and to refund commercial paper and revenue bond debt. Additionally, the City issued \$203.5 million in Water and Wastewater System revenue refunding bonds to refund commercial paper and revenue bond debt, and \$36.8 of Water and Wastewater System revenue bonds to improve and extend the water and wastewater system. These issuances were offset by debt payments during the year.

During the year, the rating for the City's General Obligation bonds was revised by Fitch Ratings, Inc. from AAA to AA+, and the rating for the City's Taxable Commercial Paper Notes was revised by Fitch Ratings, Inc. from F1+ to F1. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2021 and 2020 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch Ratings, Inc.	
	2021	2020	2021	2020	2021	2020
General obligation bonds and other tax supported debt	Aa1	Aa1	AAA	AAA	AA+	AAA
Commercial paper notes - tax exempt	P-1	P-1	A-1+	A-1+	F1+	F1+
Commercial paper notes - taxable	P-1	P-1	A-1+	A-1+	F1	F1+
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	Aa3	Aa3	AA	AA	AA	AA
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	A1	A1	A	A	NUR (1)	NUR (1)
Convention Center revenue bonds	Aa3	Aa3	AA	AA	NUR (1)	NUR (1)

(1) No underlying rating

OTHER INFORMATION, continued

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

Recovery from the COVID-19 pandemic continued to be the most significant economic factor of this past year for Austin and the nation, with the focus shifting from stay-at-home orders and capacity restrictions to vaccinations and variant response activities. With Austin's economy strong prior to the pandemic, and doing unexpectedly well during the pandemic, many metrics continue to show improvement, proving Austin's resilience.

Austin's growing and diverse economic base and national reputation continues to attract new employers and talented individuals to the area. In fact, Austin has not had a decade of growth under double digits since its population first started being tracked in 1840. The Austin economy is expected to continue to expand at rates above the national economy. The Austin area gained over 80,000 jobs from December 2020 through December 2021 driven primarily by gains in the professional and business services and hospitality sector, which shed the most jobs in 2020. As of December 2021, the unemployment rate for the Austin-Round Rock MSA was 2.9%, while the state unemployment rate was 5.0% and the national unemployment rate was 3.9%.

A record-breaking number of companies announced plans to relocate or expand operations in the Austin Metro area in 2021. These businesses, which range from technology to manufacturing to financial services anticipate creating nearly 27,000 new jobs. This naturally creates higher demand for real estate which continues to see an increase in both sales and prices, particularly in the residential and industrial sectors. In 2021 the Austin metro residential market experienced a 2.5% increase in sales compared with the same period in 2020. Sales tax revenue increased 14.2% from the previous year, another indicator of the economic rebound. Overall, Austin proved to be less exposed to the industries most affected by COVID-19 and economic recovery continues to strengthen.

While development of the City's fiscal year 2022 budget remained primarily remote and on-line, it also remained a process true to City Management's unwavering commitment to openness, transparency, and public engagement. The overriding goal of the 2022 budget process was to maintain City operations with no furloughs or layoffs and to support the community through the uncertainty of the pandemic. The budget is projected to increase General Fund reserves to 14% (from 12%) without any significant increases to taxes or fees. Each year during the budget process, the Austin City Council adopts a comprehensive set of financial policies that provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the City Council's underlying goals of budget stability, maintaining affordability, investing in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings. Fitch Ratings, Inc. downgraded their rating on the City's general obligation bonds to AA+ around their continued concerns over pension liabilities and new provisions for binding arbitration on labor contract negotiations with the Austin Fire Association. The City has taken corrective action to improve the financial condition of both the City of Austin Employees' Retirement System (COAERS) and the Austin Police Retirement System, reducing amortization periods to 32 and 31 years, respectively. In addition, further steps to improve the financial condition of the COAERS are expected to be addressed during the next State legislative session.

Taxable property values within the City increased by 3.87% in 2021 for fiscal year 2022. The property tax rate for fiscal year 2022 is 54.10 cents per \$100 valuation, up from 53.35 cents per \$100 valuation in 2021. The tax rate consists of 42.80 cents for the General Fund and Project Connect, and 11.30 cents for debt service. The change in property tax for the median valued home for 2022 is (\$17.12) based on the increase of the homestead exemption from 10% to 20% which was approved by City Council in June. This decrease in property tax will partially offset increases to fees for Austin Resource Recovery and the Transportation User Fee. There are no changes to the Drainage Utility Fee, Austin Energy rates or Austin Water rates.

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 Controller's Office of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at: <https://www.austintexas.gov>.



BASIC FINANCIAL STATEMENTS



Statement of Net Position
September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit A-1

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	\$ 45	65	110	219,805
Pooled investments and cash	631,084	926,660	1,557,744	--
Pooled investments and cash - restricted	--	157,000	157,000	--
Total pooled investments and cash	631,084	1,083,660	1,714,744	--
Investments - restricted	30,488	223,188	253,676	--
Cash held by trustee	--	463	463	--
Cash held by trustee - restricted	9,389	857	10,246	--
Working capital advances	--	2,687	2,687	--
Property taxes receivable, net of allowance \$8,070	10,289	--	10,289	--
Accounts receivable, net of allowance \$406,810	123,900	271,115	395,015	1,340
Interest receivable	2,164	1,492	3,656	--
Receivables from other governments	28,263	59	28,322	--
Receivables from other governments - restricted	--	4,883	4,883	1,561
Notes receivable, net of allowance \$26,718	42,092	--	42,092	--
Inventories, at cost	2,967	97,246	100,213	173
Internal balances	(99,410)	99,410	--	--
Real property held for resale	4,177	--	4,177	--
Regulatory assets, net of accumulated amortization	--	21,133	21,133	--
Prepaid expenses	11,717	24,407	36,124	2,263
Other receivables - restricted	--	4,080	4,080	--
Other assets	1,784	4,592	6,376	--
Total current assets	798,949	1,839,337	2,638,286	225,142
Noncurrent assets:				
Cash - restricted	--	4,790	4,790	--
Pooled investments and cash - restricted	273,155	771,487	1,044,642	--
Due from component units - restricted	--	1,350	1,350	--
Investments - restricted	--	417,815	417,815	43,804
Investments held by trustee - restricted	9,038	283,538	292,576	--
Cash held by trustee - restricted	963	--	963	5,686
Interest receivable - restricted	--	546	546	--
Depreciable capital assets, net	2,798,893	7,645,495	10,444,388	194,193
Nondepreciable capital assets	735,210	1,587,582	2,322,792	46,500
Derivative instruments - energy risk management	--	2,330	2,330	--
Regulatory assets, net of accumulated amortization	--	1,531,350	1,531,350	--
Other receivables - restricted	--	7,789	7,789	--
Other long-term assets	110,743	59,946	170,689	144
Other long-term assets - restricted	--	21,613	21,613	--
Total noncurrent assets	3,928,002	12,335,631	16,263,633	290,327
Total assets	4,726,951	14,174,968	18,901,919	515,469
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,682,325	1,126,855	2,809,180	12,605

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

(Continued)

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

Statement of Net Position
September 30, 2021
(In thousands)

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

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 72,963	119,337	192,300	6,454
Accounts and retainage payable from restricted assets	18,775	45,343	64,118	--
Accrued payroll	46,711	31,550	78,261	217
Accrued compensated absences	73,900	33,765	107,665	--
Claims payable	49,100	263	49,363	--
Due to other governments	--	4,092	4,092	--
Due to component units	--	2,189	2,189	--
Accrued interest payable from restricted assets	5	86,358	86,363	4,923
Interest payable on other debt	5,963	555	6,518	--
Bonds payable	83,441	8,434	91,875	58,042
Bonds payable from restricted assets	33,255	183,364	216,619	--
Other postemployment benefits liability	37,488	25,915	63,403	--
Capital lease obligations payable	5,264	66	5,330	--
Customer and escrow deposits payable from restricted assets	83,166	76,015	159,181	--
Accrued landfill closure and postclosure costs	--	855	855	--
Other liabilities	121,728	8,795	130,523	51,337
Other liabilities payable from restricted assets	--	533	533	--
Total current liabilities	631,759	627,429	1,259,188	120,973
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	67,133	5,702	72,835	--
Claims payable	37,286	1,246	38,532	--
Commercial paper notes payable, net of discount	--	178,600	178,600	--
Bonds payable, net of discount and inclusive of premium	1,410,421	5,538,147	6,948,568	182,592
Net pension liability	1,346,529	831,474	2,178,003	--
Other postemployment benefits liability	2,532,517	1,750,447	4,282,964	--
Capital lease obligations payable	15,823	690	16,513	--
Accrued landfill closure and postclosure costs	--	18,944	18,944	--
Asset retirement obligations	518	437,881	438,399	--
Derivative instruments - interest rate swaps	--	21,490	21,490	--
Other liabilities	14,947	46,423	61,370	265
Other liabilities payable from restricted assets	--	1,259	1,259	--
Total noncurrent liabilities	5,425,174	8,832,303	14,257,477	182,857
Total liabilities	6,056,933	9,459,732	15,516,665	303,830
DEFERRED INFLOWS OF RESOURCES				
	1,144,823	1,816,505	2,961,328	911
NET POSITION				
Net investment in capital assets	2,208,451	2,408,833	4,617,284	41,750
Restricted for:				
Bond reserve	--	53,022	53,022	--
Capital projects	103,448	474,268	577,716	--
Debt service	29,799	136,872	166,671	19,209
Housing activities	44,660	--	44,660	23,000
Operating reserve	--	77,082	77,082	--
Passenger facility charges	--	67,468	67,468	--
Perpetual care:				
Nonexpendable	1,070	--	1,070	--
Public safety activities	12,838	--	12,838	--
Renewal and replacement	--	80,931	80,931	--
Strategic reserve	--	217,768	217,768	--
Tourism	36,611	--	36,611	--
Urban growth programs	30,361	--	30,361	--
Other purposes	6,894	--	6,894	--
Unrestricted (deficit)	(3,266,612)	509,342	(2,757,270)	139,374
Total net position	\$ (792,480)	4,025,586	3,233,106	223,333

(†) 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, 2021
(In thousands)

City of Austin, Texas
Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities								
General government	\$ 327,126	24,886	231	6,142	(295,867)	--	(295,867)	--
Public safety	853,434	45,504	21,240	--	(786,690)	--	(786,690)	--
Transportation, planning, and sustainability	232,056	383	--	66,255	(165,418)	--	(165,418)	--
Public health	204,819	18,229	76,047	--	(110,543)	--	(110,543)	--
Public recreation and culture	185,110	6,955	1,695	27,467	(148,993)	--	(148,993)	--
Urban growth management	242,225	30,686	83,353	--	(128,186)	--	(128,186)	--
Interest on debt	68,724	--	--	--	(68,724)	--	(68,724)	--
Total governmental activities	<u>2,113,494</u>	<u>126,643</u>	<u>182,566</u>	<u>99,864</u>	<u>(1,704,421)</u>	<u>--</u>	<u>(1,704,421)</u>	<u>--</u>
Business-type activities								
Electric	1,256,788	1,271,808	19	41,399	--	56,438	56,438	--
Water	245,336	295,295	--	51,374	--	101,333	101,333	--
Wastewater	232,053	271,927	--	32,203	--	72,077	72,077	--
Airport	213,129	178,077	32,209	8,272	--	5,429	5,429	--
Convention	65,938	6,018	--	--	--	(59,920)	(59,920)	--
Environmental and health services	155,957	131,414	149	45	--	(24,349)	(24,349)	--
Public recreation	10,293	10,281	--	268	--	256	256	--
Urban growth management	334,450	296,609	--	16,824	--	(21,017)	(21,017)	--
Total business-type activities	<u>2,513,944</u>	<u>2,461,429</u>	<u>32,377</u>	<u>150,385</u>	<u>--</u>	<u>130,247</u>	<u>130,247</u>	<u>--</u>
Total primary government	<u>\$ 4,627,438</u>	<u>2,588,072</u>	<u>214,943</u>	<u>250,249</u>	<u>(1,704,421)</u>	<u>130,247</u>	<u>(1,574,174)</u>	<u>--</u>
Component Units	<u>63,071</u>	<u>26,954</u>	<u>23,058</u>	<u>195,400</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>182,341</u>
General revenues:								
Property tax					937,352	--	937,352	--
Sales tax					281,784	--	281,784	--
Franchise fees and gross receipts tax					120,085	--	120,085	--
Interest and other					40,374	3,187	43,561	209
Transfers-internal activities					125,945	(125,945)	--	--
Total general revenues and transfers					<u>1,505,540</u>	<u>(122,758)</u>	<u>1,382,782</u>	<u>209</u>
Net change in net position					(198,881)	7,489	(191,392)	182,550
Beginning net position, as restated (see Note 19)					(593,599)	4,018,097	3,424,498	40,783
Ending net position					<u>\$ (792,480)</u>	<u>4,025,586</u>	<u>3,233,106</u>	<u>223,333</u>

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



**Governmental Funds
Balance Sheet
September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit B-1**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 37	1	38
Pooled investments and cash	266,115	367,196	633,311
Investments - restricted	--	30,488	30,488
Cash held by trustee - restricted	--	6,269	6,269
Investments held by trustee - restricted	--	9,038	9,038
Property taxes receivable, net of allowance	7,782	2,507	10,289
Accounts receivable, net of allowance	85,215	34,530	119,745
Interest receivable	1,746	359	2,105
Receivables from other governments	3	27,810	27,813
Notes receivable, net of allowance	157	41,935	42,092
Due from other funds	--	128,441	128,441
Advances to other funds	--	70,176	70,176
Real property held for resale	--	4,177	4,177
Prepaid items	3,369	--	3,369
Other assets	--	1,784	1,784
Total assets	364,424	724,711	1,089,135
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	33,086	39,520	72,606
Accrued payroll	35,871	948	36,819
Accrued compensated absences	1,597	--	1,597
Due to other funds	5	128,436	128,441
Unearned revenue	--	95,949	95,949
Advances from other funds	--	70,021	70,021
Deposits and other liabilities	4,359	98,623	102,982
Total liabilities	74,918	433,497	508,415
DEFERRED INFLOWS OF RESOURCES	16,404	4,944	21,348
FUND BALANCES			
Nonspendable:			
Prepaid items	3,369	--	3,369
Permanent funds	--	1,070	1,070
Restricted	--	300,032	300,032
Committed	--	59,131	59,131
Assigned	116,428	127,620	244,048
Unassigned	153,305	(201,583)	(48,278)
Total fund balances	273,102	286,270	559,372
Total liabilities, deferred inflows of resources, and fund balances	\$ 364,424	724,711	1,089,135

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

**Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit B-1.1**

Total fund balances - Governmental funds \$ 559,372

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

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

Governmental capital assets	5,692,441	
Less: accumulated depreciation	<u>(2,226,209)</u>	3,466,232

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

Other assets		110,743
--------------	--	---------

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

Pensions	807,297	
Other postemployment benefits	863,452	
Loss on debt refundings	<u>11,426</u>	1,682,175

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

Compensated absences	(126,731)	
Interest payable	(5,963)	
Bonds and other tax supported debt payable, net	(1,525,731)	
Net pension liability	(1,346,529)	
Other postemployment benefits	(2,570,005)	
Capital lease obligations payable	(16,929)	
Other liabilities	<u>(15,525)</u>	(5,607,413)

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

Unavailable revenue		
Property taxes and interest	10,160	
Accounts and other taxes receivable	11,188	
Pensions	(885,633)	
Other postemployment benefits	(124,609)	
Deferred gain on service concession agreement	(28,060)	
Deferred gain on public-private partnership arrangement	<u>(106,521)</u>	(1,123,475)

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

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

119,886

Total net position - Governmental activities

\$ (792,480)

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

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit B-2

	<u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Property taxes	\$ 567,041	375,328	942,369
Sales taxes	281,784	--	281,784
Franchise fees and other taxes	38,062	82,023	120,085
Fines, forfeitures and penalties	4,607	921	5,528
Licenses, permits and inspections	16,612	3,453	20,065
Charges for services/goods	57,278	21,692	78,970
Intergovernmental	--	186,511	186,511
Property owners' participation and contributions	--	36,992	36,992
Interest and other	17,246	22,938	40,184
Total revenues	<u>982,630</u>	<u>729,858</u>	<u>1,712,488</u>
EXPENDITURES			
Current:			
General government	251,070	773	251,843
Public safety	619,373	21,012	640,385
Transportation, planning, and sustainability	--	152,070	152,070
Public health	100,234	76,519	176,753
Public recreation and culture	127,716	2,389	130,105
Urban growth management	40,851	230,654	271,505
Debt service:			
Principal	--	150,825	150,825
Interest	--	67,710	67,710
Fees and commissions	--	33	33
Capital outlay-capital project funds	--	255,277	255,277
Total expenditures	<u>1,139,244</u>	<u>957,262</u>	<u>2,096,506</u>
Deficiency of revenues under expenditures	(156,614)	(227,404)	(384,018)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	180,366	180,366
Issuance of refunding bonds	--	78,949	78,949
Bond premiums	--	50,545	50,545
Payment to refunding bond escrow agent	--	(93,417)	(93,417)
Transfers in	186,441	175,403	361,844
Transfers out	(28,863)	(191,355)	(220,218)
Total other financing sources (uses)	<u>157,578</u>	<u>200,491</u>	<u>358,069</u>
Net change in fund balances	964	(26,913)	(25,949)
Fund balances at beginning of year, as restated (see Note 19)	272,138	313,183	585,321
Fund balances at end of year	<u>\$ 273,102</u>	<u>286,270</u>	<u>559,372</u>

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

**Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit B-2.1**

Net change in fund balances - Governmental funds \$ (25,949)

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-capital project funds	255,277	
Capital outlay-other funds	56,637	
Depreciation expense	(145,278)	
Loss on disposal of capital assets	(3,597)	
Capital asset transfers to business-type activities, net	(4,413)	
Other asset adjustments	<u>(27,863)</u>	
		130,763

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

Property taxes	(5,017)	
Charges for services	3,529	
Capital asset contributions	<u>72,129</u>	
		70,641

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

Issuance of long-term debt	(180,366)	
Principal repayment on long-term debt	150,825	
Issuance of refunding bonds	(78,949)	
Bond premiums	(50,545)	
Payment to refunding bond escrow agent	<u>93,417</u>	
		(65,618)

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	4,939	
Pensions	(47,254)	
Other postemployment benefits	(254,838)	
Interest and other	<u>32,903</u>	
		(264,250)

A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities. (44,468)

Change in net position - Governmental activities \$ (198,881)

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

Proprietary Funds
Statement of Net Position
September 30, 2021
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water	Airport
ASSETS			
Current assets:			
Cash	\$ 26	5	3
Pooled investments and cash	328,847	201,225	18,455
Pooled investments and cash - restricted	57,507	63,054	20,376
Total pooled investments and cash	386,354	264,279	38,831
Investments - restricted	85,454	88,532	40,959
Cash held by trustee	--	463	--
Cash held by trustee - restricted	--	857	--
Working capital advances	2,687	--	--
Accounts receivable, net of allowance	153,016	74,255	12,933
Interest receivable	850	237	57
Receivables from other governments	--	59	--
Receivables from other governments - restricted	1,163	--	3,720
Due from other funds	--	301	--
Inventories, at cost	88,940	1,750	1,908
Regulatory assets, net of accumulated amortization	21,133	--	--
Prepaid expenses	21,575	1,073	694
Other receivables - restricted	--	--	4,080
Other assets	3,500	102	990
Total current assets	764,698	431,913	104,175
Noncurrent assets:			
Cash - restricted	4,790	--	--
Pooled investments and cash - restricted	107,150	90,890	438,715
Advances to other funds	5,952	902	--
Advances to other funds - restricted	--	--	1
Due from component units - restricted	--	--	1,350
Investments - restricted	296,388	49,497	61,667
Investments held by trustee - restricted	240,598	42,940	--
Interest receivable - restricted	64	62	337
Depreciable capital assets, net	2,665,044	3,332,491	1,296,965
Nondepreciable capital assets	382,221	570,464	155,295
Derivative instruments - energy risk management	2,330	--	--
Regulatory assets, net of accumulated amortization	1,106,632	424,718	--
Other receivables - restricted	7,789	--	--
Other long-term assets	44,348	570	15,028
Other long-term assets - restricted	515	21,098	--
Total noncurrent assets	4,863,821	4,533,632	1,969,358
Total assets	5,628,519	4,965,545	2,073,533
DEFERRED OUTFLOWS OF RESOURCES	\$ 473,033	215,070	84,935

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
ASSETS			
Current assets:			
Cash	31	65	7
Pooled investments and cash	378,133	926,660	264,973
Pooled investments and cash - restricted	16,063	157,000	--
Total pooled investments and cash	394,196	1,083,660	264,973
Investments - restricted	8,243	223,188	--
Cash held by trustee	--	463	--
Cash held by trustee - restricted	--	857	4,083
Working capital advances	--	2,687	--
Accounts receivable, net of allowance	30,911	271,115	4,155
Interest receivable	348	1,492	59
Receivables from other governments	--	59	450
Receivables from other governments - restricted	--	4,883	--
Due from other funds	--	301	--
Inventories, at cost	4,648	97,246	2,967
Regulatory assets, net of accumulated amortization	--	21,133	--
Prepaid expenses	1,065	24,407	8,348
Other receivables - restricted	--	4,080	--
Other assets	--	4,592	--
Total current assets	439,442	1,740,228	285,042
Noncurrent assets:			
Cash - restricted	--	4,790	--
Pooled investments and cash - restricted	134,732	771,487	5,955
Advances to other funds	79	6,933	--
Advances to other funds - restricted	31	32	--
Due from component units - restricted	--	1,350	--
Investments - restricted	10,263	417,815	--
Investments held by trustee - restricted	--	283,538	--
Interest receivable - restricted	83	546	--
Depreciable capital assets, net	350,995	7,645,495	66,478
Nondepreciable capital assets	479,602	1,587,582	1,393
Derivative instruments - energy risk management	--	2,330	--
Regulatory assets, net of accumulated amortization	--	1,531,350	--
Other receivables - restricted	--	7,789	--
Other long-term assets	--	59,946	--
Other long-term assets - restricted	--	21,613	--
Total noncurrent assets	975,785	12,342,596	73,826
Total assets	1,415,227	14,082,824	358,868
DEFERRED OUTFLOWS OF RESOURCES	353,817	1,126,855	150

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2021
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 98,036	4,917	2,686
Accounts and retainage payable from restricted assets	7,858	27,230	3,965
Accrued payroll	11,482	6,083	2,053
Accrued compensated absences	12,365	6,516	2,826
Claims payable	242	21	--
Due to other funds	--	--	--
Due to other governments	4,088	--	4
Due to component units	--	--	2,189
Accrued interest payable from restricted assets	30,325	36,993	18,574
Interest payable on other debt	38	36	--
Bonds payable	--	--	1
Bonds payable from restricted assets	86,427	61,102	26,225
Other postemployment benefits liability	7,735	5,269	2,340
Capital lease obligations payable	66	--	--
Customer and escrow deposits payable from restricted assets	54,553	10,359	1,415
Accrued landfill closure and postclosure costs	--	--	--
Other liabilities	2,285	860	4,276
Other liabilities payable from restricted assets	533	--	--
Total current liabilities	316,033	159,386	66,554
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	2,362	845	145
Claims payable	987	259	--
Advances from other funds	--	75	--
Advances from other funds payable from restricted assets	--	5,952	--
Commercial paper notes payable, net of discount	76,600	102,000	--
Bonds payable, net of discount and inclusive of premium	1,971,799	2,354,092	1,065,661
Net pension liability	307,542	160,979	61,118
Other postemployment benefits liability	522,522	355,914	158,041
Capital lease obligations payable	690	--	--
Accrued landfill closure and postclosure costs	--	--	--
Asset retirement obligations	436,599	1,282	--
Derivative instruments - interest rate swaps	--	14,383	--
Other liabilities	45,306	--	1,117
Other liabilities payable from restricted assets	1,259	--	--
Total noncurrent liabilities	3,365,666	2,995,781	1,286,082
Total liabilities	3,681,699	3,155,167	1,352,636
DEFERRED INFLOWS OF RESOURCES	\$ 603,191	967,295	178,020

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

(Continued)

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	13,698	119,337	19,132
Accounts and retainage payable from restricted assets	6,290	45,343	--
Accrued payroll	11,932	31,550	9,892
Accrued compensated absences	12,058	33,765	10,100
Claims payable	--	263	49,100
Due to other funds	301	301	--
Due to other governments	--	4,092	--
Due to component units	--	2,189	--
Accrued interest payable from restricted assets	466	86,358	5
Interest payable on other debt	481	555	--
Bonds payable	8,433	8,434	269
Bonds payable from restricted assets	9,610	183,364	--
Other postemployment benefits liability	10,571	25,915	--
Capital lease obligations payable	--	66	2,043
Customer and escrow deposits payable from restricted assets	9,688	76,015	698
Accrued landfill closure and postclosure costs	855	855	--
Other liabilities	1,374	8,795	4,687
Other liabilities payable from restricted assets	--	533	--
Total current liabilities	85,757	627,730	95,926
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	2,350	5,702	2,605
Claims payable	--	1,246	37,286
Advances from other funds	1,093	1,168	--
Advances from other funds payable from restricted assets	--	5,952	--
Commercial paper notes payable, net of discount	--	178,600	--
Bonds payable, net of discount and inclusive of premium	146,595	5,538,147	1,117
Net pension liability	301,835	831,474	--
Other postemployment benefits liability	713,970	1,750,447	--
Capital lease obligations payable	--	690	2,115
Accrued landfill closure and postclosure costs	18,944	18,944	--
Asset retirement obligations	--	437,881	518
Derivative instruments - interest rate swaps	7,107	21,490	--
Other liabilities	--	46,423	--
Other liabilities payable from restricted assets	--	1,259	--
Total noncurrent liabilities	1,191,894	8,839,423	43,641
Total liabilities	1,277,651	9,467,153	139,567
DEFERRED INFLOWS OF RESOURCES	67,999	1,816,505	--

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

(Continued)

**Proprietary Funds
Statement of Net Position
September 30, 2021
(In thousands)**

	Business-Type Activities		
	Austin Energy	Austin Water	Airport
NET POSITION			
Net investment in capital assets	\$ 612,273	724,823	402,850
Restricted for:			
Bond reserve	30,242	10,550	4,961
Capital projects	50,557	45,608	243,591
Debt service	55,129	51,539	22,385
Operating reserve	--	52,701	18,961
Passenger facility charges	--	--	67,468
Renewal and replacement	70,391	--	10,000
Strategic reserve	217,768	--	--
Unrestricted	780,302	172,932	(142,404)
Total net position	\$ 1,816,662	1,058,153	627,812
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	38,440	21,033	7,943
Total net position - Business-type activities	\$ 1,855,102	1,079,186	635,755

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

(Continued)

	<u>Business-Type Activities</u>		<u>Governmental Activities- Internal Service Funds</u>
	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
NET POSITION			
Net investment in capital assets	668,887	2,408,833	62,327
Restricted for:			
Bond reserve	7,269	53,022	--
Capital projects	134,512	474,268	5,955
Debt service	7,819	136,872	--
Operating reserve	5,420	77,082	--
Passenger facility charges	--	67,468	--
Renewal and replacement	540	80,931	--
Strategic reserve	--	217,768	--
Unrestricted	(401,053)	409,777	151,169
Total net position	<u>423,394</u>	<u>3,926,021</u>	<u>219,451</u>
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	32,149	99,565	
Total net position - Business-type activities	<u>455,543</u>	<u>4,025,586</u>	

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

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2021
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water	Airport
OPERATING REVENUES			
Utility services	\$ 1,271,808	567,222	--
User fees and rentals	--	--	155,711
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,271,808	567,222	155,711
OPERATING EXPENSES			
Operating expenses before depreciation	1,055,984	311,047	121,776
Depreciation and amortization	280,815	132,572	44,155
Total operating expenses	1,336,799	443,619	165,931
Operating income (loss)	(64,991)	123,603	(10,220)
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	2,967	119	--
Interest on revenue bonds and other debt	(69,207)	(83,545)	(39,973)
Passenger facility charges	--	--	22,366
Cost (recovered) to be recovered in future years	148,814	53,668	--
Other nonoperating revenue (expense)	(712)	(2,949)	25,161
Total nonoperating revenues (expenses)	81,862	(32,707)	7,554
Income (loss) before contributions and transfers	16,871	90,896	(2,666)
Capital contributions	41,399	83,605	8,272
Transfers in	6,762	75	--
Transfers out	(122,367)	(57,230)	(41)
Change in net position	(57,335)	117,346	5,565
Beginning net position	1,873,997	940,807	622,247
Ending net position	\$ 1,816,662	1,058,153	627,812
Reconciliation to government-wide Statement of Activities			
Change in net position	(57,335)	117,346	5,565
Adjustment to consolidate internal service activities	1,135	(944)	(193)
Change in net position - Business-type activities	\$ (56,200)	116,402	5,372

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES			
Utility services	--	1,839,030	--
User fees and rentals	444,322	600,033	--
Billings to departments	--	--	507,362
Employee contributions	--	--	45,323
Operating revenues from other governments	--	--	5,400
Other operating revenues	--	--	13,151
Total operating revenues	<u>444,322</u>	<u>2,439,063</u>	<u>571,236</u>
OPERATING EXPENSES			
Operating expenses before depreciation	522,656	2,011,463	592,055
Depreciation and amortization	29,779	487,321	13,773
Total operating expenses	<u>552,435</u>	<u>2,498,784</u>	<u>605,828</u>
Operating income (loss)	<u>(108,113)</u>	<u>(59,721)</u>	<u>(34,592)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	101	3,187	137
Interest on revenue bonds and other debt	(5,473)	(198,198)	(77)
Passenger facility charges	--	22,366	--
Cost (recovered) to be recovered in future years	--	202,482	--
Other nonoperating revenue (expense)	(6,354)	15,146	(1,360)
Total nonoperating revenues (expenses)	<u>(11,726)</u>	<u>44,983</u>	<u>(1,300)</u>
Income (loss) before contributions and transfers	<u>(119,839)</u>	<u>(14,738)</u>	<u>(35,892)</u>
Capital contributions	17,217	150,493	4,784
Transfers in	61,805	68,642	349
Transfers out	(14,579)	(194,217)	(16,400)
Change in net position	<u>(55,396)</u>	<u>10,180</u>	<u>(47,159)</u>
Beginning net position	<u>478,790</u>	<u>3,915,841</u>	<u>266,610</u>
Ending net position	<u>423,394</u>	<u>3,926,021</u>	<u>219,451</u>
Reconciliation to government-wide Statement of Activities			
Change in net position	(55,396)	10,180	
Adjustment to consolidate internal service activities	(2,689)	(2,691)	
Change in net position - Business-type activities	<u>(58,085)</u>	<u>7,489</u>	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,292,178	552,984	149,492
Cash received from other funds	28,359	9,181	--
Cash payments to suppliers for goods and services	(582,907)	(66,676)	(20,369)
Cash payments to other funds	(66,483)	(75,715)	(35,588)
Cash payments to employees for services	(234,256)	(128,102)	(45,360)
Cash payments to claimants/beneficiaries	(120)	(120)	--
Taxes collected and remitted to other governments	(41,021)	--	(1)
Net cash provided by operating activities	395,750	291,552	48,174
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	6,762	75	--
Transfers out	(122,367)	(57,083)	(41)
Collections from other sources	151	485	--
Loans from other funds	--	--	--
Loan repayments to other funds	--	(196)	(174)
Loan repayments from other funds	546	300	1
Payments to component units	--	--	(3,995)
Collections from other governments	2,210	2,461	30,072
Net cash provided (used) by noncapital financing activities	(112,698)	(53,958)	25,863
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	76,600	102,000	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--
Proceeds from the sale of revenue bonds	186,883	36,795	--
Principal paid on long-term debt	(79,656)	(74,610)	(26,877)
Proceeds from the sale of capital assets	--	--	--
Interest paid on revenue bonds and other debt	(78,663)	(99,202)	(48,643)
Passenger facility charges	--	--	19,795
Acquisition and construction of capital assets	(315,448)	(192,065)	(71,126)
Contributions from state and federal governments	--	75	8,272
Contributions in aid of construction	43,245	44,262	--
Bond issuance costs	(1,774)	(1,990)	--
Bond premiums	65,383	60,413	--
Bonds issued for advanced refundings of debt	90,482	203,505	--
Cash paid for bond refunding escrow	(90,482)	(59,839)	--
Cash paid to payoff commercial paper	(162,480)	(204,000)	--
Cash paid for nuclear fuel inventory	(23,513)	--	--
Net cash provided (used) by capital and related financing activities	(289,423)	(184,656)	(118,579)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(483,970)	(224,327)	(74,491)
Proceeds from sale and maturities of investment securities	476,585	190,280	75,518
Interest on investments	1,088	258	414
Net cash provided (used) by investing activities	(6,297)	(33,789)	1,441
Net increase (decrease) in cash and cash equivalents	(12,668)	19,149	(43,101)
Cash and cash equivalents, beginning	510,988	337,345	520,650
Cash and cash equivalents, ending	\$ 498,320	356,494	477,549

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 OPERATING ACTIVITIES:			
Cash received from customers	438,213	2,432,867	62,298
Cash received from other funds	3,920	41,460	507,362
Cash payments to suppliers for goods and services	(94,230)	(764,182)	(118,021)
Cash payments to other funds	(87,176)	(264,962)	(48,644)
Cash payments to employees for services	(243,898)	(651,616)	(201,186)
Cash payments to claimants/beneficiaries	--	(240)	(182,660)
Taxes collected and remitted to other governments	--	(41,022)	--
Net cash provided by operating activities	16,829	752,305	19,149
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	61,805	68,642	--
Transfers out	(14,398)	(193,889)	(16,400)
Collections from other sources	7,111	7,747	--
Loans from other funds	3	3	--
Loan repayments to other funds	(1,807)	(2,177)	--
Loan repayments from other funds	1,685	2,532	--
Payments to component units	--	(3,995)	--
Collections from other governments	276	35,019	--
Net cash provided (used) by noncapital financing activities	54,675	(86,118)	(16,400)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	178,600	--
Proceeds from the sale of general obligation bonds and other tax supported debt	4,260	4,260	--
Proceeds from the sale of revenue bonds	--	223,678	--
Principal paid on long-term debt	(19,716)	(200,859)	(2,410)
Proceeds from the sale of capital assets	--	--	--
Interest paid on revenue bonds and other debt	(6,344)	(232,852)	(79)
Passenger facility charges	--	19,795	--
Acquisition and construction of capital assets	(73,956)	(652,595)	(2,148)
Contributions from state and federal governments	45	8,392	--
Contributions in aid of construction	5,042	92,549	--
Bond issuance costs	(8)	(3,772)	--
Bond premiums	1,886	127,682	--
Bonds issued for advanced refundings of debt	4,524	298,511	--
Cash paid for bond refunding escrow	(5,646)	(155,967)	--
Cash paid to payoff commercial paper	--	(366,480)	--
Cash paid for nuclear fuel inventory	--	(23,513)	--
Net cash provided (used) by capital and related financing activities	(89,913)	(682,571)	(4,637)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(13,322)	(796,110)	--
Proceeds from sale and maturities of investment securities	13,396	755,779	--
Interest on investments	533	2,293	(385)
Net cash provided (used) by investing activities	607	(38,038)	(385)
Net increase (decrease) in cash and cash equivalents	(17,802)	(54,422)	(2,273)
Cash and cash equivalents, beginning	546,761	1,915,744	277,291
Cash and cash equivalents, ending	528,959	1,861,322	275,018

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

(Continued)

**Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)**

	<u>Business-Type Activities</u>		
	<u>Austin Energy</u>	<u>Austin Water</u>	<u>Airport</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (64,991)	123,603	(10,220)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	280,815	132,572	44,155
Change in assets and liabilities:			
Decrease in working capital advances	37	--	--
Increase in accounts receivable	(19,784)	(7,049)	(1,140)
Increase in allowance for doubtful accounts	10,191	823	62
Increase in receivables from other governments	--	--	--
(Increase) decrease in inventory	9,280	330	61
(Increase) decrease in prepaid expenses and other assets	(21,142)	(167)	96
Decrease in advances to other funds	--	--	--
(Increase) decrease in other long-term assets	(26,679)	--	980
Increase in deferred outflows	(22,290)	(31,548)	(9,091)
Increase (decrease) in accounts payable	11,855	1,760	118
Increase in accrued payroll and compensated absences	2,565	1,269	361
Increase (decrease) in claims payable	977	(30)	--
Increase in customer deposits	17,562	248	331
Decrease in net pension liability	(17,688)	(1,869)	(1,744)
Increase in other postemployment benefits liability	106,213	71,711	30,014
Increase (decrease) in other liabilities	32,959	(1,045)	9
Increase (decrease) in deferred inflows	95,870	944	(5,818)
Total adjustments	<u>460,741</u>	<u>167,949</u>	<u>58,394</u>
Net cash provided by operating activities	<u>\$ 395,750</u>	<u>291,552</u>	<u>48,174</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Capital assets contributed from other funds	\$ --	28	--
Capital assets contributed to other funds	--	--	--
Contributed facilities	--	39,240	--
Increase in the fair value of investments	(512)	--	--
Amortization of bond (discounts) premiums	13,856	23,240	11,117
Amortization of deferred loss on refundings	(2,351)	(4,726)	(2,902)
Gain (loss) on disposal of assets	(1,050)	(4,014)	(405)
Costs (recovered) to be recovered	148,813	53,668	--
Transfers from other funds	--	--	--
Transfers to other funds	--	(147)	--

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

(Continued)

	<u>Business-Type Activities</u>		<u>Governmental Activities- Internal Service Funds</u>
	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(108,113)	(59,721)	(34,592)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	29,779	487,321	13,773
Change in assets and liabilities:			
Decrease in working capital advances	--	37	--
Increase in accounts receivable	(5,957)	(33,930)	(1,383)
Increase in allowance for doubtful accounts	870	11,946	--
Increase in receivables from other governments	--	--	(193)
(Increase) decrease in inventory	(1,654)	8,017	(712)
(Increase) decrease in prepaid expenses and other assets	434	(20,779)	(879)
Decrease in advances to other funds	--	--	2
(Increase) decrease in other long-term assets	--	(25,699)	--
Increase in deferred outflows	(62,335)	(125,264)	--
Increase (decrease) in accounts payable	(44)	13,689	1,773
Increase in accrued payroll and compensated absences	3,271	7,466	2,148
Increase (decrease) in claims payable	--	947	37,264
Increase in customer deposits	1,667	19,808	11
Decrease in net pension liability	(6,859)	(28,160)	--
Increase in other postemployment benefits liability	151,556	359,494	--
Increase (decrease) in other liabilities	10,096	42,019	1,937
Increase (decrease) in deferred inflows	4,118	95,114	--
Total adjustments	<u>124,942</u>	<u>812,026</u>	<u>53,741</u>
Net cash provided by operating activities	<u>16,829</u>	<u>752,305</u>	<u>19,149</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Capital assets contributed from other funds	12,130	12,158	4,784
Capital assets contributed to other funds	(12,512)	(12,512)	--
Contributed facilities	--	39,240	--
Increase in the fair value of investments	--	(512)	--
Amortization of bond (discounts) premiums	1,492	49,705	23
Amortization of deferred loss on refundings	(678)	(10,657)	(22)
Gain (loss) on disposal of assets	(1,126)	(6,595)	(846)
Costs (recovered) to be recovered	--	202,481	--
Transfers from other funds	--	--	349
Transfers to other funds	(181)	(328)	--

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

Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit D-1

	<u>Custodial</u>
ASSETS	
Pooled investments and cash	\$ 2,662
Total assets	<u>2,662</u>
LIABILITIES	
Accounts payable	19
Due to other governments	522
Total liabilities	<u>541</u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	2,121
Total net position	<u>\$ 2,121</u>

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

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit D-2

	Custodial
ADDITIONS	
Contributions	\$ 28
Interest and other	4
Fees collected for other governments	1,724
Miscellaneous	88
Total additions	1,844
DEDUCTIONS	
Beneficiary payments	29
Payment of fees to other governments	1,725
Administrative expenses	1
Total deductions	1,755
Change in net position	89
Beginning net position, as restated (see Note 19)	2,032
Ending net position	\$ 2,121

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 nonmajor 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. 86, No. 88 through No. 90, No. 92 and No. 93, No. 95, No. 97 and No. 98. In fiscal year 2021, the City implemented the following GASB Statements:

GASB Statement	Impact
84 – <i>"Fiduciary Activities"</i>	This statement enhances guidance for identifying fiduciary activities and financial reporting of those activities, which allows for increased consistency and comparability between reporting entities. The adoption of GASB Statement No. 84 required restatement of beginning net position (see Note 19).
90 – <i>"Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61"</i>	This statement is an amendment of GASB statements No. 14 and No. 61. The objective of the statement is to clarify situations in which a government's purpose for holding a majority equity interest meets both the definition of an investment and the criteria to be reported as a component unit. The City has identified a single entity, Nacogdoches Power, LLC, in which the City is a holder of a major equity interest. It is currently reported as a blended component unit. The implementation of this standard had no impact on the financial statements.
92 – <i>"Omnibus 2020"</i>	This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The only portion applicable to the City's financial statements is the change of terminology used to refer to derivative instruments. The City made all required changes.
93 – <i>"Replacement of Interbank Offered Rates"</i>	This statement helps to preserve the consistency and comparability of reporting hedging derivative instruments and leases after a government amends or substitutes agreements to replace an Interbank Offered Rate. The City has identified one applicable hedging derivative instrument that utilizes a London Interbank Offered Rate (LIBOR) and is making updates to the language in the agreement which provides fallback protocol language to trigger a change to a new reference rate when the LIBOR tenor ceases to be published. No further action is needed at this time.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

GASB Statement	Impact
97 – “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”	This statement improves consistency in financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. This statement also enhances the relevance, consistency, and comparability of the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans, as well as investment information for all Section 457 plans. The implementation of this standard had no impact on the financial statements.
98 – “The Annual Comprehensive Financial Report”	This statement replaces the terms comprehensive annual financial report and comprehensive annual financial reports with annual comprehensive financial report and annual comprehensive financial reports, respectively. The associated acronyms are replaced with ACFR and ACFRs. The implementation of this standard had no impact on the financial statements.

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

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

a -- Reporting Entity

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

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

Blended Component Units

Austin Housing Finance Corporation (AHFC)

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

AHFC was created in 1979 as a public, nonprofit corporation and instrumentality of the City under the provisions of the Texas Housing Finance Corporation Act, Chapter 394, and Local Government Code. The mission of the AHFC is to generate and implement strategic housing solutions for the benefit of low- and moderate- income residents of the City. AHFC is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit.

Reporting Fund: Austin Housing Finance Corporation fund, a nonmajor special revenue fund

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

Blended Component Units

Urban Renewal Agency (URA)

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

URA was created by the City under Chapter 374 of the Texas Local Government Code. The Mayor, with consent of the City Council, appoints the board of commissioners for this agency, whose primary responsibility is to oversee the implementation and compliance of urban renewal plans adopted by the City Council. An urban renewal plan's primary purpose is to eliminate slum and blighting influence within a designated area of the city. City Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City. Additionally, the City is fiscally responsible for the obligations of URA, therefore URA is reported as a blended component unit of the City.

Reporting Fund: Urban Renewal Agency fund, a nonmajor special revenue fund

Austin Industrial Development Corporation (AIDC)

AIDC was created under the Texas Development Corporation Act of 1979 to provide a means of extending tax-exempt financing to projects that are deemed to have substantial social benefit through the creation of commercial, industrial, and manufacturing enterprises, in order to promote and encourage employment in the City. City Council acts as the board of directors of the corporation. In addition, City management has operational responsibilities for this component unit.

Reporting Fund: Austin Industrial Development Corporation fund, a nonmajor special revenue fund

Mueller Local Government Corporation (MLGC)

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. City Council acts as the board of directors of the corporation. Members of the City staff serve as officers of the corporation and have operational responsibilities for this component unit.

Reporting Fund: Mueller Local Government Corporation, a nonmajor special revenue fund

Austin-Bergstrom International Airport (ABIA) Development Corporation

ABIA Development Corporation is governed by a board composed of the City Council. The entity has no day-to-day operations. Its existence relates only to the authorization for issuance of industrial revenue bonds or to other similar financing arrangements in accordance with the Texas Development Corporation Act of 1979. To date, none of the bonds issued constitute a liability of ABIA Development Corporation or the City. In addition, City management has operational responsibilities for this component unit.

There is no financial activity to report related to this component unit.

Nacogdoches Power, LLC (NP)

Austin Energy acquired Nacogdoches Power, LLC on June 13, 2019, which included the purchase of a 115 MW biomass power plant that was transferred to Austin Energy. NP provides renewable energy exclusively for the benefit of Austin Energy customers and Austin Energy staff serve as officers of the corporation. Additionally, Austin Energy is fiscally responsible for the obligations of NP, therefore NP is reported as a blended component unit in the Austin Energy enterprise fund.

Reporting Fund: Austin Energy, a major proprietary fund.

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

Discretely Presented Component Units – Following are the City’s discretely presented component units. Financial statements for these entities can be requested from the addresses located below.

<u>Discretely Presented Component Units</u>	<u>Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) 3600 Presidential Blvd, Suite 411 Austin, TX 78719	ABLE is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ABLE does not constitute a debt or pledge of the faith and credit of the City.
Austin Convention Enterprises, Inc. (ACE) 500 East 4th Street Austin, TX 78701	ACE is a legally separate entity that owns, operates, and finances the Austin Convention Center Hotel. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ACE does not constitute a debt or pledge of the faith and credit of the City.
Austin Economic Development Corporation (AEDC) 301 W. 2 nd Street, Ste 2030 Austin, TX 78701	AEDC is a legally separate entity created in October 2020 by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of AEDC is to engage in socially beneficial real estate and economic development within the City. City Council has appointed the entity's initial Board and maintains the ability to remove members of the Board. AEDC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.
Austin Transit Partnership Local Government Corporation (ATP) 203 Colorado Street Austin, TX 78701	ATP is a legally separate entity created in December 2020 by the City and the Capital Metropolitan Transportation Authority (Capital Metro) under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of ATP is to serve as the independent entity responsible for the implementation of the Project Connect System Plan (Project Connect). The implementation of Project Connect is comprised of the financing, design, engineering, and construction of a fixed rail and bus transit system, including customer technology, park & ride hubs, on-demand neighborhood circulators, and associated improvements to roadways, bikeways, sidewalks, and street lighting. Project Connect also includes transit-supportive anti-displacement strategies for the purpose of preventing displacement and encouraging transit-oriented affordable housing along Project Connect transit corridors. ATP's Board is jointly appointed by the City and Capital Metro. ATP is fiscally dependent on the City and in a relationship of financial benefit/burden with the City. Additionally, the nature of ATP's relationship with the City is of significance, and exclusion from the City's financial statements would be misleading.
Austin Travis County Sobriety Center Local Government Corporation (SCLGC) 700 Lavaca Street Austin, TX 78701	SCLGC is a non-profit local government corporation created by the City and Travis County under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of SCLGC is to operate a sobriety center located within the City of Austin and Travis County. The City Council and the County each appoint five members of the SCLGC board. The operations of the Sobriety Center are primarily funded by the City. The SCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.
Waller Creek Local Government Corporation (WCLGC) 124 W. 8 th Street Austin, TX 78701	WCLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of WCLGC is implementing the financing, design, construction, maintenance and operation of certain public improvements located within or around the Waller Creek Redevelopment Project district. The WCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.

There is no financial activity to report related to this component unit.

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

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

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

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

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

b -- Government-wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available). Revenues, other than grants, are considered available when they are collectible within the current period or soon enough thereafter to liquidate liabilities of the current period (defined by the City as collected within 60 days of the end of the fiscal year). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed or when all eligibility requirements of the provider have been met, and they are considered to be available if expected to be collected within one year. Expenditures generally are recorded when incurred. 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, public health charges, emergency medical service charges, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, to the extent they are considered available, have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available in the fiscal period the City receives cash.

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

The City reports the following major governmental fund:

General Fund: The primary operating fund of the City. It is used to account for all financial resources that are not required to be accounted for in another fund. It includes the following activities: general government; public safety; 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.

The City reports the following major enterprise funds:

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

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

Airport: Accounts for the operations of the Austin-Bergstrom International Airport.

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

Convention: Accounts for convention center and public event activities.

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

Public recreation: Accounts for golf activities.

Urban growth management: Accounts for development, drainage, and transportation activities.

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

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

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

Custodial Funds: Account for assets held by the City as an agent for individuals, private organizations, and other governmental units. Municipal Court service fees and unclaimed property make up the majority of assets accounted for in these funds.

d -- Budget

The City Manager is required by the City Charter to present proposed operating and capital budgets to the City Council at least 30 days prior to October 1st, the beginning of the City's fiscal year. In addition, the City of Austin Charter mandates that a budget be adopted no later than September 27th for the next 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. 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 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 department of the City. The City Council approves amendments to the budget and transfers of appropriations from one department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

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

Pooled Investments and Cash -- Cash balances of all City funds (except for certain funds shown in Note 3 as having non-pooled investments) are pooled and invested. 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 -- Investments can be reported at either fair value or amortized cost. 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 at fair value and money market mutual funds at amortized cost. Investments in local government investment pools are carried at either net asset value (NAV) or at amortized cost.

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net position, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2021 (in thousands):

Governmental activities	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Charges for Services	\$ 387,396	--	4,431	391,827
Fines	10,539	--	--	10,539
Taxes	60,333	28,582	--	88,915
Other Governments	--	3,295	--	3,295
Other	131	4,758	--	4,889
Allowance for doubtful accounts	(373,184)	(2,105)	(276)	(375,565)
Total	\$ 85,215	34,530	4,155	123,900

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

Business-type activities	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total
Accounts Receivable	\$ 175,080	77,761	14,926	34,593	302,360
Allowance for doubtful accounts	(22,064)	(3,506)	(1,993)	(3,682)	(31,245)
Total	\$ 153,016	74,255	12,933	30,911	271,115

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

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

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

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

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

<u>Fund</u>	<u>Inventory Valuation Method</u>
Austin Energy	
Fuel oil – Distillate #2	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.

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 report in accordance with accounting for regulated operations, enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

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

	<u>Business-Type Activities</u>					Total Restricted Assets
	Governmental Activities	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	
Capital projects	\$ 43,513	55,098	150,330	366,022	134,815	749,778
Customer and escrow deposits	83,166	54,553	10,353	1,415	9,386	158,873
Debt service	33,255	85,454	88,532	41,951	8,243	257,435
Federal receivables	--	1,510	--	3,720	--	5,230
Housing activities	15,614	--	--	--	--	15,614
Operating reserve account	--	--	52,701	18,961	6,137	77,799
Passenger facility charge account	--	--	--	67,468	--	67,468
Perpetual care	1,070	--	--	--	--	1,070
Plant decommissioning	--	279,736	--	--	--	279,736
Public health activities	86,538	--	--	--	--	86,538
Public safety activities	12,838	--	--	--	--	12,838
Renewal and replacement account	--	70,391	--	10,000	540	80,931
Revenue bond reserve	--	30,242	55,014	61,667	10,263	157,186
Revolving loan reserve	--	4,790	--	--	--	4,790
Strategic reserve	--	217,768	--	--	--	217,768
Tourism	12,484	--	--	--	--	12,484
Urban growth programs	16,857	--	--	--	--	16,857
Other purposes	17,698	1,876	--	--	--	19,574
Total	\$ 323,033	801,418	356,930	571,204	169,384	2,221,969

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

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

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

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

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

(1) Nuclear fuel is amortized over units of production

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

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

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 \$21.7 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

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

Other Assets -- Other assets include amounts deposited in pre-closing escrow accounts and payments made as part of advance funding agreements for Austin Water and governmental activities construction projects. In addition, the receivable related to service concession arrangements for the Airport, a major enterprise fund, is recorded as other assets.

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

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

Funds	Deferred Outflows		Deferred Inflows	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Asset Retirement Obligations (ARO) -- When an ARO is recognized, a corresponding deferred outflow of resources is recognized and amortized over the remaining life of the corresponding tangible asset.				
Governmental Activities	\$ 116	--	--	--
Austin Energy	--	199,924	--	--
Austin Water	--	501	--	--
Derivative Instruments -- Derivative instruments are reported in the statement of net position at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred outflows or inflows in the statement of net position, as an offset to the related hedging derivative instrument.				
Austin Energy	--	-	--	2,330
Austin Water	--	14,383	--	--
Nonmajor enterprise	--	7,107	--	--
Excess consideration -- When a government acquires another entity in exchange for significant consideration, the amount of consideration that exceeds the net position acquired should be reported as a deferred outflow of resources and amortized over future periods.				
Austin Energy	--	20,553	--	--
Gain/loss on debt refundings -- When debt is refunded, the associated gains (deferred inflows) or losses (deferred outflows) are recognized as deferred outflows or inflows of resources and amortized over future periods.				
Governmental Activities	11,460	--	--	--
Austin Energy	--	9,584	--	--
Austin Water	--	41,426	--	578
Airport	--	12,092	--	--
Nonmajor enterprise	--	5,520	--	146

(Continued)

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

Funds	Deferred Outflows		Deferred Inflows	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Other postemployment benefits -- Changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds) may be treated as either deferred outflows or inflows. City benefit payments made between the measurement date (December 31) and the City's fiscal year end (September 30) are recognized as deferred outflows.				
Governmental Activities	863,452	--	124,609	--
Austin Energy	--	180,024	--	26,524
Austin Water	--	122,436	--	17,293
Airport	--	58,541	--	6,305
Nonmajor enterprise	--	267,468	--	31,329
Pensions -- Differences between estimated and actual investment earnings, changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds), may be treated as either deferred outflows or inflows. Contributions made to the pension systems between the Plans' measurement date (December 31) and the City's fiscal year end (September 30) are recognized as deferred outflows.				
Governmental Activities	807,297	--	885,633	--
Austin Energy	--	62,948	--	41,484
Austin Water	--	36,324	--	24,629
Airport	--	14,302	--	7,396
Nonmajor enterprise	--	73,722	--	36,524
Public-Private Partnership Arrangements -- The resources related to the public-private partnership arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.				
Governmental Activities	--	--	106,521	--
Regulated operations. In accordance with accounting for regulated operations, certain credits to income are held as deferred inflows of resources until the anticipated matched charge is incurred. These credits include unrealized gain/loss on investments, contributions, interest, decommissioning, and pass-through rates. Deferred outflows or inflows.				
Austin Energy	--	--	--	532,853
Austin Water	--	--	--	924,795
Service concession arrangements -- The resources related to the service concession arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.				
Governmental Activities	--	--	28,060	--
Airport	--	--	--	164,319
Total	\$ 1,682,325	1,126,855	1,144,823	1,816,505
Totals by Fund				
Governmental Activities	\$ 1,682,325	--	1,144,823	--
Austin Energy	--	473,033	--	603,191
Austin Water	--	215,070	--	967,295
Airport	--	84,935	--	178,020
Nonmajor Enterprise	--	353,817	--	67,999
Grand Total	\$ 1,682,325	1,126,855	1,144,823	1,816,505

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues (\$21.3 million) that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

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

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 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 in governmental funds is the amount of unused vacation, exception vacation, and sick leave eligible for payout upon termination for employees that terminated by the fiscal year end.

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

	Work-week	Non-Sworn Employees (1)	Sworn Police (2)	Sworn Fire (3)	Sworn EMS (4)
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	240
	48	N/A	N/A	N/A	240
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	160
	42	160	N/A	N/A	160
	48	160	N/A	N/A	160
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	900	720	1080
	42	N/A	N/A	N/A	1080
	48	N/A	N/A	N/A	1080
	53	N/A	N/A	1,080	N/A
Compensatory time (6)		120	120	120	120

- (1) Non-sworn employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
- (2) Sworn police employees with 16 years of actual service are eligible for accumulated sick leave payout. As of November 15, 2018, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.
- (3) Sworn fire employees are eligible for accumulated sick leave payout regardless of hire date.
- (4) Sworn EMS employees with 12 years of actual service are eligible for accumulated sick leave payout if certain criteria are met.
- (5) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.
- (6) Employees may earn compensatory time in lieu of paid overtime; maximum payout is 120 hours for all employees.

Other Postemployment Benefits (OPEB) -- The City provides certain health care benefits for its retired employees and their families as more fully described in Note 8. At September 30, 2021, the City's total OPEB liability for these retiree benefits was approximately \$4.3 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

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

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.

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

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

Asset Retirement Obligations (AROs) -- Austin Energy is reporting AROs related to the South Texas Project and the Fayette Power Project, Austin Water is reporting AROs related to wastewater treatment plants, and Fleet is reporting AROs related to petroleum underground storage tanks.

Other Liabilities -- Other liabilities includes Austin Energy's ownership portion of the South Texas Project net pension liability and other postemployment benefits liability.

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	\$ 13,831
Austin Water	1,662
Airport	62
Nonmajor Enterprise	2,530

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, 2021. The amount of unbilled revenue reported in accounts receivable as of September 30, 2021 was \$31.4 million. Austin Water records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2021. The amount of unbilled revenue reported in accounts receivable as of September 30, 2021 was \$19.3 million for water and \$15.2 million for wastewater.

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

	Discounts
Airport	\$ 5,736
Nonmajor Enterprise	2,108

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 expenses 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 an ordinance, the highest-level action taken, adopted by the City Council. An equal action (ordinance) must be enacted to rescind the commitment. The City Council is the highest level of decision-making authority.

Assigned: The portion of fund balance that is constrained by the City's intent to use for specific purposes but are neither restricted nor committed. Under the City charter, the City Manager is authorized to assign individual amounts up to \$62,000 in fiscal year 2021 to a specific purpose. This amount is updated annually based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average.

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

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

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

	General Fund	Nonmajor Governmental			Total
		Special Revenue	Debt Service	Capital Projects	
Nonspendable					
Prepaid items	\$ 3,369	--	--	--	3,369
Permanent funds	--	--	--	--	1,070
Total Nonspendable	3,369	--	--	--	4,439
Restricted					
Municipal court services	--	959	--	--	959
General government services	--	21	--	--	21
Fire special purpose	--	58	--	--	58
Police special purpose	--	12,780	--	--	12,780
Transportation, planning, and sustainability	--	217	--	--	217
Public health services	--	483	--	--	483
Library services	--	4,736	--	--	4,736
Parks services	--	478	--	--	478
Tourism programs	--	39,444	--	--	39,444
Affordable housing programs	--	44,660	--	--	44,660
Urban growth programs	--	27,528	--	--	27,528
Capital construction	--	--	--	135,051	135,051
Debt service	--	--	33,617	--	33,617
Total Restricted	--	131,364	33,617	135,051	300,032
Committed					
Tourism programs	--	102	--	--	102
Affordable housing programs	--	678	--	--	678
Urban growth programs	--	58,351	--	--	58,351
Total Committed	--	59,131	--	--	59,131
Assigned					
Municipal court services	4,788	--	--	--	4,788
EMS activities	892	--	--	--	892
Fire activities	436	--	--	--	436
Police activities	8,815	--	--	--	8,815
Public health services	31,952	--	--	--	31,952
Library services	3,235	--	--	--	3,235
Parks services	3,909	--	--	--	3,909
Affordable housing programs	499	602	--	--	1,101
Urban growth programs	61,902	379	--	--	62,281
Capital construction	--	--	--	126,639	126,639
Total Assigned	116,428	981	--	126,639	244,048
Unassigned	153,305	(1,220)	--	(200,363)	(48,278)
Total Fund Balance	\$ 273,102	190,256	33,617	61,327	559,372

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.

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

Budgetary Reserve Funds -- By formal action of City Council, the General Fund maintains two reserve funds: a budget stabilization reserve and an emergency reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2021, the budget stabilization reserve reports a balance of \$68.8 million and the emergency reserve maintains a balance of eight percent of total General Fund requirements, or \$84 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other one-time costs if the reserve exceeds six percent of total General Fund requirements, but such appropriation should not exceed one-third of the total amount in the reserve.

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 money market mutual fund.

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

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

The City does not participate in a risk pool but purchases commercial insurance coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites (see Note 14).

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 -- COVID-19 Response Funding

CARES Act -- The City received \$170.8 million in federal funding from the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) Coronavirus Relief Fund (CRF) in April 2020 administered by the US Department of the Treasury. By the end of fiscal year 2021, the City expended the remaining \$33.8 million of the CARES CRF funding. The funds were used in direct response to the COVID-19 pandemic in relation to emergency management, public safety costs, quarantine facilities, rental assistance, and various economic support programs to assist the citizens of the City.

Emergency Rental Assistance Funding -- The City was awarded \$64.9 million from the US Department of the Treasury for the COVID-19 relief Emergency Rental Assistance Program grant. By the end of fiscal year 2021, the City expended \$55.9 million. The Housing and Planning Department oversees this grant which is being used to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic.

American Rescue Plan Act- Coronavirus State and Local Fiscal Recovery Fund (SLFRF) -- The City was allocated \$188.5 million in federal funding from the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) administered by the US Department of the Treasury. The City received the first tranche of funding in May 2021 totaling \$94.2 million and is expected to receive the remaining funding in May 2022. By the end of fiscal year 2021, the City expended \$7.4 million of the SLFRF funding. SLFRF will provide relief services and assistance to Austin residents, creatives, non-profits, and businesses to address the needs created by this public health emergency.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
g -- Comparative Data

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

h -- Use of Estimates

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

2 – POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2021 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	\$ 266,115	--
Nonmajor governmental funds	367,196	--
Austin Energy	328,847	164,657
Austin Water	201,225	153,944
Airport	18,455	459,091
Nonmajor enterprise funds	378,133	150,795
Internal service funds	264,973	5,955
Fiduciary funds	2,662	--
Subtotal pooled investments and cash	<u>1,827,606</u>	<u>934,442</u>
Total pooled investments and cash	<u>\$ 2,762,048</u>	

3 – INVESTMENTS AND DEPOSITS
a -- Investments

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

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

The City Treasurer submits an investment report each quarter to the investment committee. Members of the Investment Committee include the Chief Financial Officer (as chair), the City Treasurer (as vice chair), Deputy Treasurer over Investment Management, Deputy Treasurer over Debt Management, representation from the Controller’s office, a public sector investment expert, a Financial Advisor’s representative, a representative from Austin Energy, a representative from the Austin Water, and a representative from the Law Department. 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.

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

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

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
4. Obligations of other states, cities, counties, or other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
5. Bankers' acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, are eligible collateral for borrowing from a Federal Reserve Bank, and are accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 365 days or less from the date of its issuance that is either rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by depository institutions that have a main office or branch office in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Share certificates issued by a depository institution that has a main office or branch office in Texas;
10. Money market mutual funds;
11. Local government investment pools (LGIPs); and
12. Securities lending program.

The City did not participate in any reverse repurchase agreements or security lending arrangements during fiscal year 2021.

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

The City participates in TexPool/TexPool Prime, TexasDAILY, TexStar, and Texas CLASS (collectively referred to as the LGIPs). There is no federal regulatory oversight for any of the LGIPs but all must obtain and retain a AAAm or equivalent rating, each provides audited Annual Finance Reports with an opinion from an independent auditor, and each has a form of independent oversight. The State Comptroller oversees TexPool/TexPool Prime, with Federated Hermes managing the daily operations of the pool under a contract with the State Comptroller. The Texas Range Investment Program has an advisory board consisting of participants or their designees which 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 Hilltop Securities, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors. Public Trust Advisors, LLC serves as the program administrator of Texas CLASS under a Trust Agreement with the Board of Trustees.

The City invests in LGIPs to provide its liquidity needs. The LGIPs 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. The LGIPs are structured like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are adjusted on a daily basis, and the funds seek to maintain a constant NAV of \$1.00, although this cannot be fully guaranteed. The LGIPs are rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2021, TexPool, TexPool Prime, TexasDAILY, TexStar, and Texas CLASS had a weighted average maturity of 37 days, 48 days, 48 days, 39 days, and 53 days, respectively. The City's LGIP investments are not subject to limitations, penalties, or restrictions on withdrawals outside emergency conditions that make the sale of assets or determination of fund NAV not reasonably practical, and therefore, the City considers holdings in these funds to have an effective weighted average maturity of one day.

Certain external investment pools and pool participants have an option to measure these investment pools at amortized cost rather than fair value if certain criteria are met. All City LGIPs are qualifying pools for these purposes. TexPool, TexPool Prime, and TexasDAILY opted to report at amortized cost, while TexStar, and Texas CLASS measure their investments at fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are unobservable inputs.

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

The City has the following recurring fair value measurements as of September 30, 2021:

- U.S. Treasury securities of \$1.8 billion are valued using quoted prices (unadjusted) in active markets for identical financial assets which the City can access at the measurement date (Level 1 inputs).
- U.S. Agency securities of \$774.9 million are valued using other observable inputs, including but not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing (Level 2 inputs).

As of September 30, 2021, the City presented Money Market Funds of \$64.6 million, LGIPs of \$1.05 billion valued using amortized cost, and LGIPs of \$26.8 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2021 (in thousands):

	Governmental Activities	Business- type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	\$ 30,488	380,542	--	411,030
Money Market Funds	9,038	55,542	--	64,580
US Treasury Notes	--	247,044	--	247,044
US Treasury Bills	--	41,494	--	41,494
US Agency Bonds	--	159,929	--	159,929
US Agency Discounts Notes	--	39,990	--	39,990
Total non-pooled investments	<u>39,526</u>	<u>924,541</u>	<u>--</u>	<u>964,067</u>
Pooled investments:				
Local Government Investment Pools	217,553	446,357	618	664,528
US Treasury Notes	315,801	647,901	930	964,632
US Treasury Bills	189,865	389,530	559	579,954
US Agency Bonds	114,580	235,074	338	349,992
US Agency Discount Notes	73,649	151,098	217	224,964
Total pooled investments	<u>911,448</u>	<u>1,869,960</u>	<u>2,662</u>	<u>2,784,070</u>
Total investments	<u>\$ 950,974</u>	<u>2,794,501</u>	<u>2,662</u>	<u>3,748,137</u>

Concentration of Credit Risk

At September 30, 2021, the City of Austin was exposed to concentration of credit risk since it held investments with more than five percent of the total investment portfolio balances of the City in securities of the following issuers (in millions): Federal Farm Credit Bank (\$519.9 or 14%), of which \$205.4 were discount notes maturing in less than one year.

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

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

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

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

As of September 30, 2021, the City had the following investments in each of these strategic categories (in thousands):

Investment Type by Category	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Weighted Average Maturity
Operating funds					
Local Government Investment Pools	\$ 217,553	446,357	618	664,528	1
US Treasury Notes	315,801	647,901	930	964,632	298
US Treasury Bills	189,865	389,530	559	579,954	69
US Agency Bonds	114,580	235,074	338	349,992	450
US Agency Discount Notes	73,649	151,098	217	224,964	141
Total Operating funds	911,448	1,869,960	2,662	2,784,070	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	30,488	--	--	30,488	1
Utility (1)					
Local Government Investment Pools	--	173,984	--	173,984	1
Airport					
Local Government Investment Pools	--	40,959	--	40,959	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	8,243	--	8,243	1
Total Debt service funds	30,488	223,186	--	253,674	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	--	43,546	--	43,546	1
Money Market Funds	--	4,660	--	4,660	1
Airport					
Local Government Investment Pools	--	61,667	--	61,667	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	10,263	--	10,263	1
Total Debt service reserve funds	--	120,136	--	120,136	
Special projects/purpose funds					
Austin Energy Strategic Reserve					
Local Government Investment Pools	--	18,633	--	18,633	1
US Treasury Notes	--	85,533	--	85,533	395
US Treasury Bills	--	9,999	--	9,999	90
US Agency Bonds	--	139,931	--	139,931	812
US Agency Discount Notes	--	24,998	--	24,998	75
Total Austin Energy Strategic Reserve	--	279,094	--	279,094	
Austin Energy Nuclear Decommissioning					
Trust Funds (NDF)					
Money Market Funds	--	12,602	--	12,602	1
US Treasury Notes	--	161,511	--	161,511	424
US Treasury Bills	--	31,495	--	31,495	124
US Agency Bonds	--	19,998	--	19,998	74
US Agency Discount Notes	--	14,992	--	14,992	265
Total Austin Energy NDF	--	240,598	--	240,598	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	23,247	--	23,247	1
Special Projects - Other					
Money Market Funds	9,038	38,280	--	47,318	1
Total Special projects/purpose funds	9,038	581,219	--	590,257	
Total funds	\$ 950,974	2,794,501	2,662	3,748,137	

(1) Includes combined pledge debt service

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

Credit Risk

At September 30, 2021, City funds held investments in LGIPs and Money Market Funds rated AAAM by Standard & Poor's or AAAMmf by Fitch Ratings, Inc., short-to-medium term U.S. Agency bonds rated AA+ by Standard & Poor's, and the remaining investments in Treasury securities, which are direct obligations of the U.S. government.

Concentration of Credit Risk

Operating Funds

At September 30, 2021, the operating funds held investments with more than five percent of the total portfolio in securities of the following issuers (in millions): Federal Farm Credit Bank (\$400 or 14%)

Special Projects or Special Purpose Funds

At September 30, 2021, 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 (\$104.9 or 37.6%), and Federal Home Loan Mortgage Corporation (\$40 or 14%).

At September 30, 2021, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank (\$15 or 6%) and Federal Home Loan Bank (\$20 or 8%).

Interest Rate Risk

Operating Funds

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, 2021, less than half of the Investment Pool was invested in AAAM rated LGIPs, with the remainder invested in short-to-medium term U.S. Agency and Treasury obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 186 days, which was less than the threshold of 365 days.

Debt Service Funds

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.

Debt Service Reserve Funds

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

Special Projects or Special Purpose Funds

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

At September 30, 2021, the portfolios held investments in TexPool, U.S. Treasury, and U.S. Agency obligations with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 538 days.

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

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the NDTF portfolios requires that the dollar weighted average maturity, using final stated 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, 2021, the dollar weighted average maturity was 324 days.

Special Purpose Funds - Investments Held by Trustee

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

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

Investments and deposits portfolio balances at September 30, 2021, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	\$ 49,923	930,716	--	980,639
Pooled investments and cash	912,345	1,871,854	2,662	2,786,861
Total investments and cash	<u>962,268</u>	<u>2,802,570</u>	<u>2,662</u>	<u>3,767,500</u>
Unrestricted cash	45	528	--	573
Restricted cash	10,352	5,647	--	15,999
Pooled investments and cash	912,345	1,871,854	2,662	2,786,861
Investments	39,526	924,541	--	964,067
Total	<u>\$ 962,268</u>	<u>2,802,570</u>	<u>2,662</u>	<u>3,767,500</u>

The bank balance of the portfolio exceeds the book balance by approximately \$25 million (net), which primarily consists of outstanding checks and deposits in transit. The outstanding checks decrease the book balance as compared to the bank, whereas the deposits in transit increase it. The difference eliminates once both the outstanding checks and deposits in transit clear the bank.

Deposits

The September 30, 2021 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	\$ 45	65	110
Restricted	--	4,790	4,790
Cash held by trustee			
Unrestricted	--	463	463
Restricted	10,352	857	11,209
Non-pooled cash	<u>10,397</u>	<u>6,175</u>	<u>16,572</u>
Pooled cash	915	1,876	2,791
Total deposits	<u>\$ 11,312</u>	<u>8,051</u>	<u>19,363</u>

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2021.

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, 2020, upon which the 2021 levy was based, was \$176,671,783,309.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2021, 99.28% of the current tax levy (October 1, 2020) 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.

The City is authorized to set tax rates on property within the city limits. State law governing municipalities' authority to increase property tax rates was changed during 2019. Effective for fiscal year 2021, any increase in the property tax rate for maintenance and operations of more than 3.5% above the no-new-revenue-property tax rate will require voter approval on the November general election ballot. The no-new-revenue rate is the rate at which the City would generate the same amount of property tax revenue for maintenance and operations as in the prior year from properties taxed in both years, net of certain adjustments. The City will continue to have the ability to set its debt service tax rate at the level necessary to generate sufficient revenue to make its payments on voter-approved bonds, certificates of obligation, and other contractual obligations.

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 and fund Project Connect, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2021, was \$0.4209 per \$100 assessed valuation. The tax rate for servicing the payment of principal and interest on general obligation long-term debt for the fiscal year ended September 30, 2021, was \$0.1126 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$0.5791 per \$100 assessed valuation and could levy approximately \$1,023,106,297 in additional taxes from the assessed valuation of \$176,671,783,309 before the legislative limit is reached.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2021, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
Depreciable capital assets				
Building and improvements	\$ 1,284,422	129,843	(257)	1,414,008
Plant and equipment	309,784	10,604	(24,993)	295,395
Vehicles	166,991	30,577	(13,711)	183,857
Infrastructure	3,144,219	89,629	--	3,233,848
Total depreciable capital assets	<u>4,905,416</u>	<u>260,653</u>	<u>(38,961)</u>	<u>5,127,108</u>
Less accumulated depreciation for				
Building and improvements	(456,711)	(40,947)	214	(497,444)
Plant and equipment	(211,486)	(19,264)	23,745	(207,005)
Vehicles	(104,992)	(14,993)	13,288	(106,697)
Infrastructure	(1,433,061)	(84,008)	--	(1,517,069)
Total accumulated depreciation	<u>(2,206,250)</u>	<u>(159,212)</u> (2)	<u>37,247</u>	<u>(2,328,215)</u>
Depreciable capital assets, net	<u>2,699,166</u>	<u>101,441</u>	<u>(1,714)</u>	<u>2,798,893</u>
Nondepreciable capital assets				
Land and improvements	409,346	76,047	(2,777)	482,616
Arts and treasures	11,664	294	--	11,958
Library collections	18,167	--	--	18,167
Construction in progress	167,559	165,895	(110,985)	222,469
Total nondepreciable assets	<u>606,736</u>	<u>242,236</u>	<u>(113,762)</u>	<u>735,210</u>
Total capital assets	<u>\$ 3,305,902</u>	<u>343,677</u>	<u>(115,476)</u>	<u>3,534,103</u>

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

(2) Components of accumulated depreciation/amortization increases:

Governmental Activities:

General government	\$ 9,656
Public safety	17,991
Transportation, planning and sustainability	65,068
Public health	2,974
Public recreation and culture	25,273
Urban growth management	24,317
Internal service funds	13,751
Total increases in accumulated depreciation/amortization	<u>159,030</u>
Transferred accumulated depreciation	182
Total increases in accumulated depreciation/amortization	<u>\$ 159,212</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2021, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 3,238,104	87,452	(7,058)	3,318,498
Plant and equipment	4,330,764	229,112	(17,001)	4,542,875
Vehicles	260,397	36,729	(20,758)	276,368
Electric plant	5,749,728	278,425	(22,400)	6,005,753
Non-electric plant	285,500	4,110	(21,549)	268,061
Nuclear fuel	435,752	23,513	--	459,265
Water rights	100,000	--	--	100,000
Total depreciable capital assets	<u>14,400,245</u>	<u>659,341</u>	<u>(88,766)</u>	<u>14,970,820</u>
Less accumulated depreciation/amortization for				
Building and improvements	(987,878)	(74,636)	4,810	(1,057,704)
Plant and equipment	(1,884,936)	(114,433)	13,196	(1,986,173)
Vehicles	(174,607)	(19,049)	20,209	(173,447)
Electric plant	(3,315,246)	(268,243)	6,899	(3,576,590)
Non-electric plant	(110,821)	(9,792)	19,532	(101,081)
Nuclear fuel	(389,199)	(19,403)	--	(408,602)
Water rights	(20,742)	(986)	--	(21,728)
Total accumulated depreciation/amortization	<u>(6,883,429)</u>	<u>(506,542)</u> (2)	<u>64,646</u>	<u>(7,325,325)</u>
Depreciable capital assets, net	<u>7,516,816</u>	<u>152,799</u>	<u>(24,120)</u>	<u>7,645,495</u>
Nondepreciable capital assets				
Land and improvements	787,394	23,615	--	811,009
Arts and treasures	4,113	2,062	--	6,175
Construction in progress	643,507	523,827	(420,051)	747,283
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	<u>1,458,129</u>	<u>549,504</u>	<u>(420,051)</u>	<u>1,587,582</u>
Total capital assets	<u>\$ 8,974,945</u>	<u>702,303</u>	<u>(444,171)</u>	<u>9,233,077</u>

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

(2) Components of accumulated depreciation/amortization increases:

Business-type Activities:

Electric	\$ 280,815
Water	63,714
Wastewater	68,858
Airport	44,155
Convention	8,566
Environmental and health services	10,055
Public recreation	615
Urban growth management	10,543
Total business-type activities depreciation expense	<u>487,321</u>
Transferred accumulated depreciation	(182)
Current year amortization included in operating expense	19,403
Total increases in accumulated depreciation/amortization	<u>\$ 506,542</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2021, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets				
Vehicles	\$ 38,757	7,294	(3,963)	42,088
Electric plant	5,749,728	278,425	(22,400)	6,005,753
Non-electric plant	285,500	4,110	(21,549)	268,061
Nuclear fuel	435,752	23,513	--	459,265
Total depreciable capital assets	<u>6,509,737</u>	<u>313,342</u>	<u>(47,912)</u>	<u>6,775,167</u>
Less accumulated depreciation/amortization for				
Vehicles	(25,029)	(2,780)	3,959	(23,850)
Electric plant	(3,315,246)	(268,243)	6,899	(3,576,590)
Non-electric plant	(110,821)	(9,792)	19,532	(101,081)
Nuclear fuel	(389,199)	(19,403)	--	(408,602)
Total accumulated depreciation/amortization	<u>(3,840,295)</u>	<u>(300,218)</u> (1)	<u>30,390</u>	<u>(4,110,123)</u>
Depreciable capital assets, net	<u>2,669,442</u>	<u>13,124</u>	<u>(17,522)</u>	<u>2,665,044</u>
Nondepreciable capital assets				
Land and improvements	71,037	5,417	--	76,454
Construction in progress (2)	204,243	209,098	(130,689)	282,652
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	<u>298,395</u>	<u>214,515</u>	<u>(130,689)</u>	<u>382,221</u>
Total capital assets	<u>\$ 2,967,837</u>	<u>227,639</u>	<u>(148,211)</u>	<u>3,047,265</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	\$ 280,815
Current year amortization included in operating expense	19,403
Total increases in accumulated depreciation/amortization	<u>\$ 300,218</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water

Capital asset activity for the year ended September 30, 2021, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets				
Building and improvements	\$ 1,247,005	8,604	(6,360)	1,249,249
Plant and equipment	4,039,558	215,952	(10,981)	4,244,529
Vehicles	45,804	6,555	(4,848)	47,511
Water rights	100,000	--	--	100,000
Total depreciable capital assets	<u>5,432,367</u>	<u>231,111</u>	<u>(22,189)</u>	<u>5,641,289</u>
Less accumulated depreciation/amortization for				
Building and improvements	(383,024)	(26,675)	4,618	(405,081)
Plant and equipment	(1,756,343)	(102,328)	8,044	(1,850,627)
Vehicles	(33,606)	(2,583)	4,827	(31,362)
Water rights	(20,742)	(986)	--	(21,728)
Total accumulated depreciation/amortization	<u>(2,193,715)</u>	<u>(132,572) (1)</u>	<u>17,489</u>	<u>(2,308,798)</u>
Depreciable capital assets, net	<u>3,238,652</u>	<u>98,539</u>	<u>(4,700)</u>	<u>3,332,491</u>
Nondepreciable capital assets				
Land and improvements	231,286	220	--	231,506
Arts and treasures	111	--	--	111
Construction in progress	326,336	196,558	(184,047)	338,847
Total nondepreciable assets	<u>557,733</u>	<u>196,778</u>	<u>(184,047)</u>	<u>570,464</u>
Total capital assets	<u>\$ 3,796,385</u>	<u>295,317</u>	<u>(188,747)</u>	<u>3,902,955</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	\$ 62,728
Wastewater	68,858
Current year amortization	
Water	986
Total increases in accumulated depreciation/amortization	<u>\$ 132,572</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2021, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets				
Building and improvements	\$ 1,642,188	76,623	(16)	1,718,795
Plant and equipment	51,191	1,175	(4,015)	48,351
Vehicles	19,283	385	(978)	18,690
Total depreciable capital assets	<u>1,712,662</u>	<u>78,183</u>	<u>(5,009)</u>	<u>1,785,836</u>
Less accumulated depreciation for				
Building and improvements	(415,584)	(39,710)	--	(455,294)
Plant and equipment	(22,607)	(2,814)	3,752	(21,669)
Vehicles	(11,114)	(1,631)	837	(11,908)
Total accumulated depreciation	<u>(449,305)</u>	<u>(44,155) (1)</u>	<u>4,589</u>	<u>(488,871)</u>
Depreciable capital assets, net	<u>1,263,357</u>	<u>34,028</u>	<u>(420)</u>	<u>1,296,965</u>
Nondepreciable capital assets				
Land and improvements	96,381	--	--	96,381
Arts and treasures	3,390	2,062	--	5,452
Construction in progress	66,338	66,889	(79,765)	53,462
Total nondepreciable assets	<u>166,109</u>	<u>68,951</u>	<u>(79,765)</u>	<u>155,295</u>
Total capital assets	<u>\$ 1,429,466</u>	<u>102,979</u>	<u>(80,185)</u>	<u>1,452,260</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	<u>\$ 44,155</u>
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5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2021, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 348,911	2,225	(682)	350,454
Plant and equipment	240,015	11,985	(2,005)	249,995
Vehicles	156,553	22,495	(10,969)	168,079
Total depreciable capital assets	<u>745,479</u>	<u>36,705</u>	<u>(13,656)</u>	<u>768,528</u>
Less accumulated depreciation for				
Building and improvements	(189,270)	(8,251)	192	(197,329)
Plant and equipment	(105,986)	(9,291)	1,400	(113,877)
Vehicles	(104,858)	(12,055)	10,586	(106,327)
Total accumulated depreciation	<u>(400,114)</u>	<u>(29,597)</u> (2)	<u>12,178</u>	<u>(417,533)</u>
Depreciable capital assets, net	<u>345,365</u>	<u>7,108</u>	<u>(1,478)</u>	<u>350,995</u>
Nondepreciable capital assets				
Land and improvements	388,690	17,978	--	406,668
Arts and treasures	612	--	--	612
Construction in progress	46,590	51,282	(25,550)	72,322
Total nondepreciable assets	<u>435,892</u>	<u>69,260</u>	<u>(25,550)</u>	<u>479,602</u>
Total capital assets	<u>\$ 781,257</u>	<u>76,368</u>	<u>(27,028)</u>	<u>830,597</u>

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

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Convention	\$ 8,566
Environmental and health services	10,055
Public recreation	615
Urban growth management	10,543
Total nonmajor enterprise activities depreciation expense	<u>29,779</u>
Transferred accumulated depreciation	(182)
Total increases in accumulated depreciation/amortization	<u>\$ 29,597</u>

Service Concession Arrangements -- The City has recorded net capital assets of \$182.4 million, other assets of \$16 million and deferred inflows of \$192.4 million derived from five service concession arrangements (SCA) described below. An SCA is an arrangement in which the City conveys use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated from third parties; where the City may determine what services are provided, to whom and for what price; where the City retains a significant residual interest in the asset after the SCA terminates.

The City has had an agreement with the Friends of Umlauf Garden, Inc. since 1991 to manage and operate the Umlauf Sculpture Garden and Museum. The agreement extended through November 2021 and is for the purpose of displaying the artistic works of Charles Umlauf for the public enjoyment and education. Structures, which are dedicated to the City, have been built on City-owned land and display City-owned artwork.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

In 2010, the City entered into an agreement with the Young Men’s Christian Association (YMCA) to develop and operate a new joint-use recreational facility for public use. The facility is owned by the City and operated by the YMCA under a 20-year agreement extending through 2032.

In 2014, the City entered a joint design, development, management and operation agreement with Waller Creek Local Government Corporation and the Waterloo Greenway Conservancy (WGC). The agreement established the roles and responsibilities of each entity regarding the development and operation of the Waller Creek District. The WGC contributed funding to Waller Creek District facilities that will be owned by the City. The WGC will operate the facilities for an initial term of 20 years, with options to extend through 2113.

In 2016, the City entered into a Master Lease Agreement with Austin CONRAC LLC, a corporation established to operate Austin’s consolidated rent-a-car facility (“CONRAC”). The master lease, with a 20-year initial term and a 10-year extension option, provides for construction, financing, and management of a joint use facility. CONRAC began operations October 1, 2015. The operator pays annual rent of \$900,000 to the Airport. The present value of the future rent payments was \$13 million at lease inception. As of September 30, 2021, the unamortized balance was \$8.5 million and is presented in other assets. The related deferred inflow balance is \$10.4 million. The CONRAC was financed with \$143 million in City issued Rental Car Special Facility Bonds, conduit debt secured by customer facilities charges (CFC). CFC funds are remitted by rental car concessionaires directly to the bond trustee. See Note 16 for conduit debt information. Construction costs totaled \$152.5 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 30-year term of the master lease agreement.

In 2017, the City entered into a Lease and Development Agreement with Scott Airport Parking, LLC (Scott) to develop and operate a 2,000-space covered parking facility and full-service pet boarding facility (Bark and Zoom). The lease has a 40-year term which began on October 2016. Scott pays a monthly square footage rate, a monthly percentage rate, and a fixed monthly rate in exchange for the right to operate the facilities, as defined in the lease and development agreement. The fixed monthly rate for the first five years is \$5,000. The present value of the future payments was \$9.2 million at lease inception. As of September 30, 2021, the unamortized balance was \$7.5 million and is presented in other assets. The related deferred inflow balance is \$8.1 million. Construction costs totaled \$27.1 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 40-year term of the master lease agreement.

As of September 30, 2021, the City reported the following SCA activities (in thousands):

	Beginning Asset Construction Cost	Current Year Additions	Beginning Accumulated Depreciation	Current Year Depreciation	Ending Accumulated Depreciation	Net Book Value		
Service Concession Arrangement								
Governmental Activities:								
Umlauf Sculpture Garden	\$ 2,337	--	1,689	59	1,748	589		
YMCA Northeast Recreation Center	1,333	--	260	34	294	1,039		
Waterloo Park and Amphitheater	--	27,515	--	151	151	27,364		
Total Governmental Activities	3,670	27,515	1,949	244	2,193	28,992		
Business-type Activities:								
CONRAC facility	152,496	--	19,000	3,811	22,811	129,685		
Bark and Zoom facility	27,098	--	2,643	702	3,345	23,753		
Total Business-type Activities	179,594	--	21,643	4,513	26,156	153,438		
			Beginning Deferred Inflows	Current Year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:								
Umlauf Sculpture Garden	84	--	2,253	78	2,331	6		
YMCA Northeast Recreation Center	655	--	678	66	744	589		
Waterloo Park and Amphitheater	--	27,515	--	50	50	27,465		
Total Governmental Activities	739	27,515	2,931	194	3,125	28,060		
Business-type Activities:								
CONRAC facility	127,112	--	25,384	5,084	30,468	122,028		
CONRAC base rent agreement	10,867	--	2,174	435	2,609	10,432		
Bark and Zoom facility	24,455	--	2,643	702	3,345	23,753		
Bark and Zoom base rent agreement	8,338	--	926	232	1,158	8,106		
Total Business-type Activities	\$ 170,772	--	31,127	6,453	37,580	164,319		

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 Austin Energy, Austin Water, Airport, and internal service funds. Other liabilities that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, general governmental capital improvement projects funds, and internal service funds.

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

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

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2021, were as follows (in thousands):

Description	October 1, 2020	Increases	Decreases	September 30, 2021	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	\$ 1,143,341	152,991	(198,029)	1,098,303	87,072
Certificates of obligation, net	244,725	134,558	(50,940)	328,343	13,121
Contractual obligations, net	98,448	22,311	(20,288)	100,471	16,503
General obligation bonds and other tax supported debt total	1,486,514	309,860	(269,257)	1,527,117	116,696
Capital lease obligations	26,203	--	(5,116)	21,087	5,264
Net debt	1,512,717	309,860	(274,373)	1,548,204	121,960
Other long-term obligations					
Accrued compensated absences	143,994	7,760	(10,721)	141,033	73,900
Claims payable	49,122	219,924	(182,660)	86,386	49,100
Net pension liability	2,143,680	421,587	(1,218,738)	1,346,529	--
Other postemployment benefits	2,087,627	703,556	(221,178)	2,570,005	37,488
Asset retirement obligations	518	--	--	518	--
Other liabilities	147,354	73,291	(804)	219,841	204,894
Governmental activities total	6,085,012	1,735,978	(1,908,474)	5,912,516	487,342
Total business-type activities					
General obligation bonds, net	16,545	5,672	(4,349)	17,868	3,239
Certificates of obligation, net	39,786	--	(7,737)	32,049	1,733
Contractual obligations, net	17,925	5,025	(6,108)	16,842	3,866
Other tax supported debt, net	5,340	--	(820)	4,520	845
General obligation bonds and other tax supported debt total	79,596	10,697	(19,014)	71,279	9,683
Commercial paper notes, net	366,480	178,600	(366,480)	178,600	--
Revenue bonds, net	5,228,311	606,666	(374,461)	5,460,516	169,145
Revenue notes from direct placements, net	172,830	36,795	(11,475)	198,150	12,970
Capital lease obligations	819	--	(63)	756	66
Net debt	5,848,036	832,758	(771,493)	5,909,301	191,864
Other long-term obligations					
Accrued compensated absences	36,256	3,823	(612)	39,467	33,765
Claims payable	562	1,187	(240)	1,509	263
Net pension liability	859,634	213,235	(241,395)	831,474	--
Other postemployment benefits	1,416,867	511,473	(151,978)	1,776,362	25,915
Accrued landfill closure and postclosure costs	10,915	8,957	(73)	19,799	855
Decommissioning liability payable	1,194	--	(1,194)	--	--
Asset retirement obligations	417,962	20,421	(502)	437,881	--
Other liabilities	101,425	33,802	(2,202)	133,025	85,343
Business-type activities total	8,692,851	1,625,656	(1,169,689)	9,148,818	338,005
Total liabilities (1)	\$ 14,777,863	3,361,634	(3,078,163)	15,061,334	825,347

(1) This schedule excludes select short-term liabilities of \$144,417 for governmental activities. For business-type activities, it excludes select short-term liabilities of \$289,424, and derivative instruments of \$21,490.

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

Description	October 1, 2020	Increases	Decreases	September 30, 2021	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	\$ 4	--	(4)	--	--
General obligation bonds and other tax supported debt total					
	4	--	(4)	--	--
Commercial paper notes, net	162,480	76,600	(162,480)	76,600	--
Revenue bonds, net	1,899,988	342,748	(184,510)	2,058,226	86,427
Capital lease obligations	819	--	(63)	756	66
Net debt	2,063,291	419,348	(347,057)	2,135,582	86,493
Other long-term obligations					
Accrued compensated absences	13,500	1,227	--	14,727	12,365
Claims payable	252	1,097	(120)	1,229	242
Net pension liability	325,229	66,461	(84,148)	307,542	--
Other postemployment benefits	424,044	149,439	(43,226)	530,257	7,735
Decommissioning liability payable	1,194	--	(1,194)	--	--
Asset retirement obligations	416,680	20,421	(502)	436,599	--
Other liabilities	74,541	29,928	(533)	103,936	57,371
Electric activities total	3,318,731	687,921	(476,780)	3,529,872	164,206
Water and Wastewater activities					
General obligation bonds, net	744	--	(197)	547	187
Certificates of obligation bonds, net	1,400	--	(103)	1,297	102
Contractual obligations, net	1,298	--	(694)	604	419
Other tax supported debt, net	3,419	--	(525)	2,894	541
General obligation bonds and other tax supported debt total					
	6,861	--	(1,519)	5,342	1,249
Commercial paper notes, net	204,000	102,000	(204,000)	102,000	--
Revenue bonds, net	2,156,947	263,918	(149,073)	2,271,792	53,573
Revenue notes from direct placements, net	106,195	36,795	(4,930)	138,060	6,280
Net debt	2,474,003	402,713	(359,522)	2,517,194	61,102
Other long-term obligations					
Accrued compensated absences	6,812	697	(148)	7,361	6,516
Claims payable	310	90	(120)	280	21
Net pension liability	162,848	46,524	(48,393)	160,979	--
Other postemployment benefits	289,472	101,233	(29,522)	361,183	5,269
Asset retirement obligations	1,282	--	--	1,282	--
Other liabilities	12,234	30	(1,045)	11,219	11,219
Water and Wastewater activities total	2,946,961	551,287	(438,750)	3,059,498	84,127
Airport activities					
General obligation bonds, net	3	--	(2)	1	1
General obligation bonds and other tax supported debt total					
	3	--	(2)	1	1
Revenue bonds, net	1,086,183	--	(33,567)	1,052,616	21,695
Revenue notes from direct placements, net	43,695	--	(4,425)	39,270	4,530
Net debt	1,129,881	--	(37,994)	1,091,887	26,226
Other long-term obligations					
Accrued compensated absences	2,798	173	--	2,971	2,826
Claims payable	--	--	--	--	--
Net pension liability	62,862	15,667	(17,411)	61,118	--
Other postemployment benefits	130,367	44,381	(14,367)	160,381	2,340
Other liabilities	6,467	964	(623)	6,808	5,691
Airport activities total	1,332,375	61,185	(70,395)	1,323,165	37,083
Nonmajor enterprise activities					
General obligation bonds, net	15,794	5,672	(4,146)	17,320	3,051
Certificates of obligation, net	38,386	--	(7,634)	30,752	1,631
Contractual obligations	16,627	5,025	(5,414)	16,238	3,447
Other tax supported debt, net	1,921	--	(295)	1,626	304
General obligation bonds and other tax supported debt total					
	72,728	10,697	(17,489)	65,936	8,433
Revenue bonds, net	85,193	--	(7,311)	77,882	7,450
Revenue notes from direct placements, net	22,940	--	(2,120)	20,820	2,160
Net debt	180,861	10,697	(26,920)	164,638	18,043
Other long-term obligations					
Accrued compensated absences	13,146	1,726	(464)	14,408	12,058
Net pension liability	308,695	84,583	(91,443)	301,835	--
Other postemployment benefits	572,984	216,420	(64,863)	724,541	10,571
Accrued landfill closure and postclosure costs	10,915	8,957	(73)	19,799	855
Other liabilities	8,183	2,880	(1)	11,062	11,062
Nonmajor enterprise activities total	\$ 1,094,784	325,263	(183,764)	1,236,283	52,589

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, 2021, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD - 2006	2006	\$ 7,995	4,520	584 (1)(3)	4.20 - 4.25%	9/1/2022-2026
Mueller Contractual Obligation - 2006	2006	12,000	4,355	611 (1)(4)	4.00 - 5.00%	9/1/2022-2026
Public Improvement - 2009B	2009	78,460	52,710	12,328 (1)	4.75 - 5.31%	9/1/2022-2029
Mueller Contractual Obligation - 2009	2010	15,000	7,565	1,497 (1)(4)	4.00 - 4.25%	9/1/2022-2029
Public Improvement Refunding - 2010	2011	91,560	19,070	1,089 (1)	4.34 - 4.92%	9/1/2022-2023
Public Improvement - 2011A	2012	78,090	62,090	15,490 (1)	3.00 - 4.00%	9/1/2022-2031
Public Improvement - 2011B	2012	8,450	6,550	1,578 (1)	3.50 - 4.50%	9/1/2022-2031
Certificates of Obligation - 2011	2012	51,150	39,290	17,262 (1)	3.13 - 5.00%	9/1/2022-2041
Public Improvement Refunding - 2011A	2012	68,285	8,890	532 (1)	5.00%	9/1/2022-2023
Public Improvement - 2012A	2013	74,280	70,945	14,848 (1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	3,940	830 (1)	2.50 - 3.50%	9/1/2022-2032
Certificates of Obligation - 2012	2013	24,645	16,330	3,630 (1)	3.00 - 4.00%	9/1/2022-2037
Mueller Contractual Obligation - 2012	2013	16,735	11,790	2,828 (1)(4)	2.63 - 3.38%	9/1/2022-2032
Public Improvement - 2013	2014	104,665	85,965	26,572 (1)	4.00 - 5.00%	9/1/2022-2033
Certificates of Obligation - 2013	2014	25,355	20,320	8,503 (1)	3.25 - 5.00%	9/1/2022-2038
Public Improvement Refunding - 2013A	2014	43,250	11,725	1,520 (1)	5.00%	9/1/2022-2024
Public Improvement - 2014	2015	89,915	86,810	39,945 (1)	3.00 - 5.00%	9/1/2022-2034
Public Improvement - 2014	2015	10,000	9,280	3,294 (1)	2.80 - 4.02%	9/1/2022-2034
Certificates of Obligation - 2014	2015	35,490	26,485	10,215 (1)	3.00 - 5.00%	9/1/2022-2034
Certificates of Obligation - 2014	2015	9,600	6,995	2,018 (1)	2.80 - 3.92%	9/1/2022-2034
Contractual Obligation - 2014	2015	14,100	1,445	36 (2)	5.00%	11/1/2021
Mueller Contractual Obligation - 2014	2015	15,845	13,130	3,288 (1)(4)	3.00 - 5.00%	9/1/2022-2029
Public Improvement and Refunding - 2015	2016	236,905	179,455	42,283 (1)	2.95 - 5.00%	9/1/2022-2035
Public Improvement - 2015	2016	10,000	7,970	2,545 (1)	2.89 - 4.27%	9/1/2022-2035
Certificates of Obligation - 2015	2016	43,710	34,410	14,076 (1)	3.25 - 5.00%	9/1/2022-2035
Contractual Obligation - 2015	2016	14,450	3,500	176 (2)	5.00%	11/1/2021-2022
Public Improvement and Refunding - 2016	2017	98,365	73,760	22,021 (1)	3.00 - 5.00%	9/1/2022-2036
Certificates of Obligation - 2016	2017	44,015	36,440	15,479 (1)	3.00 - 5.00%	9/1/2022-2036
Contractual Obligation - 2016	2017	22,555	7,795	493 (2)	3.00 - 5.00%	11/1/2021-2023
Public Improvement - 2016	2017	12,000	9,585	2,353 (1)	1.81 - 3.16%	9/1/2022-2036
Certificates of Obligation - 2016	2017	8,700	6,950	1,704 (1)	1.81 - 3.16%	9/1/2022-2036
Public Improvement - 2017	2018	63,580	43,740	18,859 (1)	5.00%	9/1/2022-2037
Certificates of Obligation - 2017	2018	29,635	25,575	12,120 (1)	5.00%	9/1/2022-2037
Contractual Obligation - 2017	2018	5,075	2,645	217 (2)	2.00 - 5.00%	11/1/2021-2024
Public Improvement - 2017	2018	25,000	22,315	6,786 (1)	2.35 - 5.00%	9/1/2022-2037
Public Improvement - 2018	2019	65,595	24,625	7,081 (1)	3.00 - 5.00%	9/1/2022-2038
Certificates of Obligation - 2018	2019	7,140	6,410	2,313 (1)	3.00 - 5.00%	9/1/2022-2038
Contractual Obligation - 2018	2019	21,215	14,540	1,735 (2)	4.00 - 5.00%	11/1/2021-2025
Public Improvement - 2018	2019	6,980	6,270	2,377 (1)	3.38 - 5.00%	9/1/2022-2038
Public Improvement and Refunding - 2019	2020	146,090	86,950	38,866 (1)	4.00 - 5.00%	9/1/2022-2039
Certificates of Obligation - 2019	2020	5,055	4,720	2,504 (1)	4.00 - 5.00%	9/1/2022-2039
Contractual Obligation - 2019	2020	25,780	21,120	3,295 (2)	5.00%	11/1/2021-2026
Public Improvement - 2019	2020	40,535	37,385	10,451 (1)	1.92 - 5.00%	9/1/2022-2039
Certificates of Obligation - 2019	2020	14,935	13,775	3,851 (1)	1.92 - 5.00%	9/1/2022-2039
Public Improvement and Refunding - 2020	2021	86,440	76,500	26,611 (1)	5.00%	9/1/2022-2040
Certificates of Obligation - 2020	2021	109,080	81,330	49,925 (1)	5.00%	9/1/2022-2040
Contractual Obligation - 2020	2021	23,205	21,555	3,888 (2)	5.00%	11/1/2021-2027
Public Improvement and Refunding - 2020	2021	49,410	41,730	7,094 (1)	0.27 - 4.00%	9/1/2022-2040
			<u>\$ 1,461,250</u>			

- (1) Interest is paid semiannually on March 1 and September 1.
- (2) Interest is paid semiannually on May 1 and November 1.
- (3) Includes Austin Water principal of \$2,894 and interest of \$374 and Drainage fund principal of \$1,626 and interest of \$210.
- (4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

6 – DEBT AND NON-DEBT LIABILITIES, continued

b -- Governmental Activities Long-Term Liabilities, continued

In October 2020, the City issued \$86,440,000 of Public Improvement and Refunding Bonds, Series 2020. The net proceeds of \$30,865,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility (\$17,360,000), water quality protection (\$12,955,000), and facility improvements (\$550,000). The net proceeds of the refunding portion of \$76,639,463 were used to refund \$62,380,000 Public Improvement Bonds, Series 2010A and \$13,815,000 Certificates of Obligation, Series 2010. Principal payments are due on September 1 of each year from 2021 to 2040. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2021. Total interest requirements for these bonds, at a rate of 5.0%, are \$30,513,056. An economic gain of \$11,871,153 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$13,326,230. An accounting loss of \$584,358, which will be deferred and amortized, was recorded on this refunding.

In October 2020, the City issued \$109,080,000 of Certificates of Obligation, Series 2020. The net proceeds of \$133,800,000 (after issue costs, discounts, and premiums) from this issue will be used for new fire stations and a planning and development center. Principal payments are due on September 1 of each year from 2021 to 2040. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2021. Total interest requirements for these obligations, at a rate of 5.0%, are \$54,848,250.

In October 2020, the City issued \$23,205,000 of Public Property Finance Contractual Obligations, Series 2020. The net proceeds of \$27,175,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment and curbside composting expansion. Principal payments are due on May 1 and November 1 of each year from 2021 to 2027. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2021. Total interest requirements for these obligations, at a rate of 5.0%, are \$4,548,698.

In October 2020, the City issued \$49,410,000 of Public Improvement and Refunding Taxable Bonds, Series 2020. The new money net proceeds of \$27,735,000 (after issue costs, discounts, and premiums) from the issuance will be used for affordable housing. The net proceeds of the refunding portion of \$22,787,646 were used to refund \$22,620,000 Public Improvement Bonds, Taxable Series 2010B. Principal payments are due September 1 of each year from 2021 to 2040. Interest is payable March 1 and September 1 of each year from 2021 to 2040, commencing on March 1, 2021. Total interest requirements for this obligation, at rates ranging from 0.17% to 4.0%, are \$7,844,582. An economic gain of \$3,755,606 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$4,077,182. An accounting gain of \$184, which will be deferred and amortized, was recorded on this refunding.

General obligation bonds authorized and unissued amounted to \$1,829,395,000 at September 30, 2021. Bond ratings at September 30, 2021 were Aa1 (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AA+ (Fitch Ratings, Inc.).

c -- Business-Type Activities Long-Term Liabilities

Utility Debt -- The City has previously issued combined debt for the Austin Energy and Austin Water. 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 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. Revenue bonds authorized and unissued amount to \$1,492,642,660. Bond ratings at September 30, 2021, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch Ratings, Inc.).

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. The subordinate lien bonds are subordinate to prior lien revenue bonds, which have been paid in full, 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.

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

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 table shows the refunding revenue bonds outstanding at September 30, 2021 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1998 Refunding	1999	\$ 139,965	\$ 67,700	8,716 (1)	5.25%	5/15/2022-2025

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

Combined Utility Systems Debt -- Tax Exempt Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed \$400,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2021, were P-1 (Moody's Investors Service, Inc.), A-1+ (Standard & Poor's), and F1+ (Fitch Ratings, Inc.). 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.

At September 30, 2021, Austin Energy had tax exempt commercial paper notes of \$66,200,000 outstanding and Austin Water had \$102,000,000 of commercial paper notes outstanding with interest ranging from 0.05% to 0.08%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 12%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	JP Morgan Chase Bank NA	0.70%	Goldman Sachs	0.05%	\$ 168,200	9/30/2022

These notes are payable at maturity to the holder at a price equal to principal plus accrued interest. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate. In the event of a default, at the discretion of the bank and with written notice to the City, the outstanding amount of both principal and interest may become immediately due and payable.

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 \$100,000,000 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, 2021, were P-1 (Moody's Investors Service, Inc.), A-1+ (Standard & Poor's), and F1 (Fitch Ratings, Inc.).

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

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.

At September 30, 2021, Austin Energy had outstanding taxable commercial paper notes of \$10,400,000 with interest rates ranging from 0.10% to 0.11%. 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):

<u>Note Series</u>	<u>Liquidity Provider</u>	<u>Commitment Fee Rate</u>	<u>Remarketing</u>	<u>Remarketing Fee Rate</u>	<u>Outstanding</u>	<u>Expiration</u>
Various	Barclays Bank PLC	0.68%	Goldman Sachs	0.05%	\$ 10,400	9/30/2022

These taxable notes are payable at maturity to the holder at a price equal to the par value of the note. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by JP Morgan Chase Bank 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. In the event of a default, at the discretion of the bank and with written notice to the City, the outstanding amount of both principal and interest may become immediately due and payable.

The taxable notes are secured by a direct-pay Letter of Credit issued by JP Morgan Chase Bank, which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the ordinance. A 36-month term loan feature is provided by this agreement.

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Energy. Bond ratings at September 30, 2021, were Aa3 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA (Fitch Ratings, Inc.).

Electric Utility System Revenue Debt -- Revenue Bond Refunding Issues - In November 2020, the City issued \$227,495,000 of Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A. The net proceeds of \$291,482,361 (after issue costs, premium and discounts) from the issuance were used to refund \$113,000,000 in tax-exempt commercial paper, \$90,090,000 in Electric Utility System Revenue Refunding Bonds, Series 2010A, and \$88,000,000 will be used to fund the construction and acquisition of Austin Energy's new headquarters complex. Principal payments are due November 15 of each year from 2023 to 2050. Interest payments are due May 15 and November 15 of each year from 2021 to 2050. Total interest requirements for the bonds, at a rate of 5.0%, are \$200,466,807. An economic gain of \$22,199,538 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$24,424,053. An accounting loss of \$526,962 was recorded on this refunding. This loss will be deferred and amortized.

In November 2020, the City issued \$49,870,000 of Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B. The net proceeds of \$49,480,000 (after issue costs, discounts and premiums) from the issuance were used to refund \$49,480,000 of taxable commercial paper notes. Principal payments are due November 15 of each year from 2024 to 2050. Interest payments are due May 15 and November 15 of each year from 2021 to 2050. Total interest requirements for the bonds, at rates ranging from 0.73% to 2.93%, are \$27,142,046. This issuance only encompassed a commercial paper refunding; therefore, there was no real economic gain achieved with this transaction, nor was an accounting loss or gain recorded. The refunding issuances enabled the City to restore the available capacity under its tax-exempt and taxable commercial paper notes.

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 refunding revenue bonds outstanding at September 30, 2021 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008 Refunding	2008	\$ 50,000	33,345	14,072 (1)	6.26%	11/15/2021-2032
2010B Refunding	2010	100,990	94,595	59,924 (1)	5.09 - 5.72%	11/15/2021-2040
2012A Refunding	2013	267,770	229,725	120,784 (1)	2.50 - 5.00%	11/15/2021-2040
2012B Refunding	2013	107,715	77,780	10,355 (1)	2.36 - 3.16%	11/15/2021-2027
2015A Refunding	2015	327,845	327,845	217,978 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	36,820	17,624 (1)	2.79 - 4.66%	11/15/2021-2037
2017 Refunding	2017	101,570	96,850	59,646 (1)	4.00 - 5.00%	11/15/2021-2038
2019A	2019	464,540	402,060	67,358 (1)	2.43 - 3.09%	11/15/2021-2031
2019B Refunding	2019	169,850	169,850	164,534 (1)	5.00%	11/15/2022-2049
2019C Refunding	2019	104,775	104,120	62,721 (1)	2.05 - 3.57%	11/15/2021-2049
2020A Refunding	2021	227,495	227,495	194,843 (1)	5.00%	11/15/2023-2050
2020B Refunding	2021	49,870	49,870	26,507 (1)	0.73 - 2.93%	11/15/2024-2050
			<u>\$ 1,850,355</u>			

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

Electric Utility System Revenue Debt -- Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2021 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
\$ 1,276,554	980,277	296,277	157,131	1.89

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation, amortization of excess consideration, other postemployment benefits and net pension liability accruals.

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue Austin Water 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. Bond ratings at September 30, 2021, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch Ratings, Inc.).

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issue - In November 2020, the City issued \$203,505,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2020C. The net proceeds of \$262,492,469 (after issue costs, premium and discounts) from the issuance were used to refund \$204,000,000 in tax-exempt commercial paper, and \$58,170,000 in separate lien revenue refunding bonds, Series 2010A. Principal payments are due November 15 of each year from 2022 to 2050. Interest is payable May 15 and November 15 of each year from 2021 to 2050. Total interest requirements for this obligation, at a rate of 5.0%, are \$194,835,823. An economic gain of \$18,769,390 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$22,271,726. An accounting loss of \$821,493, which will be deferred and amortized, was recorded on this refunding.

Water and Wastewater System Revenue Debt -- Revenue Bond Issues - In November 2020, the City issued \$16,995,000 of Water and Wastewater System Revenue Bonds, Series 2020D. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$15,942,362 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2021 to 2040. Interest payments are due May 15 and November 15 of each year from 2021 to 2040. Total interest requirements for the bonds, at rates ranging from 0.10% to 1.55%, are \$2,093,534.

In January 2021, the City issued \$10,400,000 of Water and Wastewater System Revenue Bonds, Series 2021A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$9,859,049 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2021 to 2050. These bonds are interest-free.

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

In January 2021, the City issued \$9,400,000 of Water and Wastewater System Revenue Bonds, Series 2021B. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$8,886,854 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2021 to 2050. Interest payments are due May 15 and November 15 of each year from 2021 to 2050. Total interest requirements for the bonds, at rates ranging from 0.00% to 0.06%, are \$18,877.

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, 2021 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008 Refunding	2008	\$ 170,605	94,030	20,122 (2)	0.03 - 0.14%	11/15/2021-2031 (3)
2010	2010	31,815	22,265	-- (4)	0.00%	11/15/2021-2041
2010B Refunding	2011	100,970	84,760	56,589 (1)	4.45 - 6.02%	11/15/2021-2040
2011 Refunding	2012	237,530	189,970	104,281 (1)	3.13 - 5.00%	11/15/2022-2041
2012 Refunding	2012	336,820	222,220	115,445 (1)	2.50 - 5.00%	11/15/2021-2042
2013A Refunding	2013	282,460	241,165	128,247 (1)	3.70 - 5.00%	11/15/2021-2043
2014 Refunding	2014	282,205	255,680	153,033 (1)	5.00%	11/15/2021-2043
2015A Refunding	2015	249,145	208,770	63,260 (1)	2.85 - 5.00%	11/15/2021-2036
2016 Refunding	2016	247,770	243,210	173,238 (1)	5.00%	11/15/2021-2045
2016A	2017	20,430	16,750	2,507 (1)	0.76 - 2.12%	11/15/2021-2036
2017 Refunding	2017	311,100	296,805	162,445 (1)	2.50 - 5.00%	11/15/2021-2046
2017A	2018	45,175	39,080	6,784 (1)	0.78 - 2.29%	11/15/2021-2037
2018	2019	3,000	2,745	595 (1)	1.37 - 2.61%	11/15/2021-2038
2019	2020	6,200	5,920	918 (1)	0.84 - 1.94%	11/15/2021-2039
2020A	2020	11,200	10,830	472 (1)	0.00 - 0.50%	11/15/2021-2049
2020B	2020	3,800	3,675	307 (1)	0.00 - 0.80%	11/15/2021-2049
2020C Refunding	2021	203,505	203,505	189,607 (1)	5.00%	11/15/2022-2050
2020D	2021	16,995	16,995	2,021 (1)	0.10 - 1.55%	11/15/2021-2040
2021A	2021	10,400	10,400	-- (4)	0.00%	11/15/2021-2050
2021B	2021	9,400	9,400	19 (1)	0.00 - 0.06%	11/15/2021-2050
			<u>\$ 2,178,175</u>			

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

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.60% in effect at the end of the fiscal year.

(3) Series matures on May 15 of the final year.

(4) Zero interest bond placed with Texas Water Development Board.

Series 2008 refunding bonds are variable rate demand bonds. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008	Barclays Bank PLC	0.25%	Goldman Sachs	0.05%	<u>\$ 94,030</u>	10/28/2022

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. The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid. The City currently has an Irrevocable Letter of Credit Reimbursement Agreement, which has provisions within the agreement that, in the event of a default, the bank has the ability to declare the principal and accrued interest immediately due and payable.

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 Water was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2021 (in thousands):

	Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
\$	568,031	272,750	295,281	173,000	1.71

- (1) Gross revenue includes revenues from operations and interest income.
- (2) Excludes depreciation, other postemployment benefits and net pension liability accruals.
- (3) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

Airport System Revenue Debt -- General - The City's Airport issues airport system revenue bonds to fund Airport capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport fund. Revenue bonds authorized and unissued amount to \$735,795,000. Bond ratings at September 30, 2021, for the revenue bonds were A1 (Moody's Investors Service, Inc.) and A (Standard & Poor's).

Airport System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2021 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2013 Revenue	2013	\$ 60,000	39,270	3,582 (1)	2.25%	11/15/2021-2028 (2)
2014 Revenue	2015	244,495	244,495	194,899 (1)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	159,900 (1)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	111,889 (1)	5.00%	11/15/2026-2046
2019 Revenue	2019	151,720	118,370	15,302 (1)	5.00%	11/15/2021-2025
2019A Revenue	2019	16,975	16,975	24,189 (1)	5.00%	11/15/2049
2019B Revenue	2019	248,170	248,170	216,461 (1)	5.00%	11/15/2022-2048
			<u>\$ 982,245</u>			

- (1) Interest is paid semiannually on May 15 and November 15.
- (2) Series matures on May 15 of the final year.

Airport System 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, 2021 (in thousands):

Gross Revenue (1) (5)	Other Available Funds (2)	Operating Expense (3)	Net Revenue and Other Available Funds	Debt Service Requirement (4)	Revenue Bond Coverage
\$ 186,715	11,178	101,963	95,930	44,710	2.15

- (1) Gross revenue includes revenues from operations and interest income.
- (2) Pursuant to the bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage not to exceed 25% of the debt service requirements.
- (3) Excludes depreciation, other postemployment benefits and net pension liability accruals.
- (4) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.
- (5) Gross revenue includes funds from the CARES Act of \$29.9 million.

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

Nonmajor Enterprise Fund Debt:

Convention Center Revenue Debt -- General - The City's Convention Center fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. Revenue bonds authorized and unissued amount to \$760,000. Bond ratings at September 30, 2021, for the revenue bonds were Aa3 (Moody's Investors Service, Inc.), and AA (Standard & Poor's).

Convention Center Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all Convention Center refunding revenue bonds outstanding at September 30, 2021 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008AB Refunding	2008	\$ 125,280	64,690	9,240 (2)	0.02 - 0.16%	11/15/2021-2029
2012 Refunding	2012	20,185	12,830	2,888 (1)	3.63 - 5.00%	11/15/2021-2029
2016 Refunding	2017	29,080	20,820	1,800 (1)	1.88%	11/15/2021-2029
			<u>\$ 98,340</u>			

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

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.25% in effect at the end of the fiscal year.

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	Citibank	0.28%	Raymond James	0.06%	\$ 32,345	10/7/2021 (1)
2008-B	Sumitomo Mitsui Banking Corporation	0.33%	BofA Securities, Inc.	0.05%	32,345	10/7/2022
					<u>\$ 64,690</u>	

(1) In October 2021, the City extended the letter of credit agreement. The new agreement expires October 2, 2024, thus the City has classified this debt as long-term at the end of the fiscal year.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. 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. The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid. The City currently has an Irrevocable Letter of Credit Reimbursement Agreement, which has provisions within the agreement that, in the event of a default, the bank has the ability to declare the principal and accrued interest immediately due and payable.

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

Fiscal Year Ended September 30	Governmental Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 87,072	43,825	13,121	12,995	16,503	4,113
2023	85,005	39,746	13,727	12,414	15,118	3,351
2024	85,886	36,041	14,336	11,813	13,520	2,662
2025	84,326	32,275	14,979	11,189	12,655	2,057
2026	83,301	28,386	15,670	10,523	11,895	1,486
2027-2031	355,937	91,493	71,836	43,540	22,115	2,305
2032-2036	198,365	27,113	96,112	24,516	2,085	70
2037-2041	32,705	2,409	49,460	5,677	--	--
2042-2046	--	--	--	--	--	--
Total debt service requirements	1,012,597	301,288	289,241	132,667	93,891	16,044
Less: Unamortized bond discounts	(352)	--	(467)	--	(143)	--
Add: Unamortized bond premiums	86,058	--	39,569	--	6,723	--
Net debt	1,098,303	301,288	328,343	132,667	100,471	16,044

Fiscal Year Ended September 30	Capital Lease Obligations		Total Governmental Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
	2022	5,264	567	121,960	61,500
2023	5,416	416	119,266	55,927	175,193
2024	3,384	259	117,126	50,775	167,901
2025	3,468	175	115,428	45,696	161,124
2026	3,555	89	114,421	40,484	154,905
2027-2031	--	--	449,888	137,338	587,226
2032-2036	--	--	296,562	51,699	348,261
2037-2041	--	--	82,165	8,086	90,251
2042-2046	--	--	--	--	--
Total debt service requirements	21,087	1,506	1,416,816	451,505	1,868,321
Less: Unamortized bond discounts	--	--	(962)	--	(962)
Add: Unamortized bond premiums	--	--	132,350	--	132,350
Net debt	\$ 21,087	1,506	1,548,204	451,505	1,999,709

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

Fiscal Year Ended September 30	Business-type Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 3,239	780	1,733	1,389	3,866	687
2023	2,369	620	1,818	1,322	3,118	516
2024	2,479	500	1,909	1,245	2,810	378
2025	814	377	2,002	1,160	2,515	246
2026	879	336	2,085	1,081	1,830	132
2027-2031	3,888	983	12,144	3,788	1,410	61
2032-2036	1,145	383	8,098	948	--	--
2037-2041	850	86	--	--	--	--
2042-2046	--	--	--	--	--	--
2047-2051	--	--	--	--	--	--
Total debt service requirements	15,663	4,065	29,789	10,933	15,549	2,020
Less: Unamortized bond discounts	--	--	(15)	--	--	--
Add: Unamortized bond premiums	2,205	--	2,275	--	1,293	--
Net debt	17,868	4,065	32,049	10,933	16,842	2,020

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
	2022	845	191	178,600	11	169,145
2023	885	156	--	--	198,559	220,154
2024	920	119	--	--	228,220	210,889
2025	965	79	--	--	239,250	200,557
2026	905	39	--	--	234,330	189,753
2027-2031	--	--	--	--	1,194,840	791,440
2032-2036	--	--	--	--	851,120	562,010
2037-2041	--	--	--	--	874,285	346,441
2042-2046	--	--	--	--	710,510	148,657
2047-2051	--	--	--	--	278,406	28,049
Total debt service requirements	4,520	584	178,600	11	4,978,665	2,926,095
Less: Unamortized bond discounts	--	--	--	--	(424)	--
Add: Unamortized bond premiums	--	--	--	--	482,275	--
Net debt	\$ 4,520	584	178,600	11	5,460,516	2,926,095

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

(Continued)

(2) A portion of these bonds are variable rate bonds with rates ranging from 0.02% - 0.16%.

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

Business-type Activities, continued
(in thousands)

Fiscal Year Ended September 30	Revenue Notes from Direct Placements		Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
	2022	\$ 12,970	2,420	66	72	370,464	233,695
2023	13,320	2,246	70	69	220,139	225,083	445,222
2024	13,480	2,065	74	65	249,892	215,261	465,153
2025	13,665	1,878	77	61	259,288	204,358	463,646
2026	13,835	1,682	81	57	253,945	193,080	447,025
2027-2031	58,910	5,420	388	191	1,271,580	801,883	2,073,463
2032-2036	35,645	2,649	--	--	896,008	565,990	1,461,998
2037-2041	24,005	527	--	--	899,140	347,054	1,246,194
2042-2046	6,905	94	--	--	717,415	148,751	866,166
2047-2051	5,415	26	--	--	283,821	28,075	311,896
Total debt service requirements	<u>198,150</u>	<u>19,007</u>	<u>756</u>	<u>515</u>	<u>5,421,692</u>	<u>2,963,230</u>	<u>8,384,922</u>
Less: Unamortized bond discounts	--	--	--	--	(439)	--	(439)
Add: Unamortized bond premiums	--	--	--	--	488,048	--	488,048
Net debt	<u>\$ 198,150</u>	<u>19,007</u>	<u>756</u>	<u>515</u>	<u>5,909,301</u>	<u>2,963,230</u>	<u>8,872,531</u>

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

Business-type Activities: Austin Energy
(in thousands)

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ 76,600	3	86,427	79,609	66
2023	--	--	80,233	76,490	70	69
2024	--	--	88,717	73,255	74	65
2025	--	--	93,327	69,654	77	61
2026	--	--	87,875	65,890	81	57
2027-2031	--	--	493,200	272,640	388	191
2032-2036	--	--	308,290	188,564	--	--
2037-2041	--	--	276,100	120,880	--	--
2042-2046	--	--	252,115	61,605	--	--
2047-2051	--	--	134,321	14,228	--	--
Total debt service requirements	<u>76,600</u>	<u>3</u>	<u>1,900,605</u>	<u>1,022,815</u>	<u>756</u>	<u>515</u>
Less: Unamortized bond discounts	--	--	(121)	--	--	--
Add: Unamortized bond premiums	--	--	157,742	--	--	--
Net debt	<u>76,600</u>	<u>3</u>	<u>2,058,226</u>	<u>1,022,815</u>	<u>756</u>	<u>515</u>

Fiscal Year Ended September 30	Total Austin Energy Debt Service Requirements		
	Principal	Interest	Total
2022	163,093	79,684	242,777
2023	80,303	76,559	156,862
2024	88,791	73,320	162,111
2025	93,404	69,715	163,119
2026	87,956	65,947	153,903
2027-2031	493,588	272,831	766,419
2032-2036	308,290	188,564	496,854
2037-2041	276,100	120,880	396,980
2042-2046	252,115	61,605	313,720
2047-2051	134,321	14,228	148,549
2052-2056	--	--	--
Total debt service requirements	<u>1,977,961</u>	<u>1,023,333</u>	<u>3,001,294</u>
Less: Unamortized bond discounts	(121)	--	(121)
Add: Unamortized bond premiums	157,742	--	157,742
Net debt	<u>\$ 2,135,582</u>	<u>1,023,333</u>	<u>3,158,915</u>

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

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

Business-type Activities: Austin Water
(in thousands)

Fiscal Year Ended	General Obligation Bonds		Certificates of Obligation		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
September 30								
2022	\$ 187	27	102	50	419	23	541	122
2023	155	17	109	47	175	4	567	100
2024	188	9	114	43	--	--	589	76
2025	--	--	119	38	--	--	618	51
2026	--	--	121	34	--	--	579	25
2027-2031	--	--	686	87	--	--	--	--
2032-2036	--	--	35	1	--	--	--	--
2037-2041	--	--	--	--	--	--	--	--
2042-2046	--	--	--	--	--	--	--	--
2047-2051	--	--	--	--	--	--	--	--
Total debt service requirements	530	53	1,286	300	594	27	2,894	374
Less: Unamortized bond discounts	--	--	(3)	--	--	--	--	--
Add: Unamortized bond premiums	17	--	14	--	10	--	--	--
Net debt	547	53	1,297	300	604	27	2,894	374

Fiscal Year Ended	Commercial Paper Notes (1)		Revenue Bonds (2)		Revenue Notes from Direct Placements		Total Austin Water Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
September 30									
2022	102,000	8	53,573	99,408	6,280	1,217	163,102	100,855	263,957
2023	--	--	83,556	96,025	6,495	1,187	91,057	97,380	188,437
2024	--	--	103,223	91,658	6,515	1,153	110,629	92,939	203,568
2025	--	--	108,078	86,665	6,545	1,115	115,360	87,869	203,229
2026	--	--	106,965	81,436	6,570	1,074	114,235	82,569	196,804
2027-2031	--	--	540,960	329,932	33,685	4,583	575,331	334,602	909,933
2032-2036	--	--	385,485	221,771	35,645	2,649	421,165	224,421	645,586
2037-2041	--	--	397,100	118,476	24,005	527	421,105	119,003	540,108
2042-2046	--	--	221,575	36,453	6,905	94	228,480	36,547	265,027
2047-2051	--	--	57,050	6,688	5,415	26	62,465	6,714	69,179
Total debt service requirements	102,000	8	2,057,565	1,168,512	138,060	13,625	2,302,929	1,182,899	3,485,828
Less: Unamortized bond discounts	--	--	(262)	--	--	--	(265)	--	(265)
Add: Unamortized bond premiums	--	--	214,489	--	--	--	214,530	--	214,530
Net debt	\$ 102,000	8	2,271,792	1,168,512	138,060	13,625	2,517,194	1,182,899	3,700,093

(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 0.03% - 0.14%.

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

Business-type Activities: Airport
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Revenue Bonds		Revenue Notes from Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ 1	--	21,695	46,606	4,530
2023	--	--	27,095	45,386	4,630	730
2024	--	--	28,320	44,002	4,730	624
2025	--	--	29,585	42,553	4,845	517
2026	--	--	30,910	41,042	4,950	406
2027-2031	--	--	123,085	186,559	15,585	472
2032-2036	--	--	157,345	151,675	--	--
2037-2041	--	--	201,085	107,085	--	--
2042-2046	--	--	236,820	50,599	--	--
2047-2051	--	--	87,035	7,133	--	--
2052-2056	--	--	--	--	--	--
Total debt service requirements	1	--	942,975	722,640	39,270	3,582
Add: Unamortized bond premiums	--	--	109,641	--	--	--
Net debt	1	--	1,052,616	722,640	39,270	3,582

Fiscal Year Ended September 30	Total Airport Debt Service Requirements		
	Principal	Interest	Total
2022	26,226	47,439	73,665
2023	31,725	46,116	77,841
2024	33,050	44,626	77,676
2025	34,430	43,070	77,500
2026	35,860	41,448	77,308
2027-2031	138,670	187,031	325,701
2032-2036	157,345	151,675	309,020
2037-2041	201,085	107,085	308,170
2042-2046	236,820	50,599	287,419
2047-2051	87,035	7,133	94,168
Total debt service requirements	982,246	726,222	1,708,468
Add: Unamortized bond premiums	109,641	--	109,641
Net debt	\$ 1,091,887	726,222	1,818,109

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

Business-type Activities: Nonmajor Enterprise
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 3,051	753	1,631	1,339	3,447	664	304	69
2023	2,214	603	1,709	1,275	2,943	512	318	56
2024	2,291	491	1,795	1,202	2,810	378	331	43
2025	814	377	1,883	1,122	2,515	246	347	28
2026	879	336	1,964	1,047	1,830	132	326	14
2027-2031	3,888	983	11,458	3,701	1,410	61	--	--
2032-2036	1,145	383	8,063	947	--	--	--	--
2037-2041	850	86	--	--	--	--	--	--
Total debt service requirements	15,132	4,012	28,503	10,633	14,955	1,993	1,626	210
Less: Unamortized bond discounts	--	--	(12)	--	--	--	--	--
Add: Unamortized bond premiums	2,188	--	2,261	--	1,283	--	--	--
Net debt	17,320	4,012	30,752	10,633	16,238	1,993	1,626	210

Fiscal Year Ended September 30	Revenue Bonds (1)		Revenue Notes from Direct Placements		Total Nonmajor Enterprise Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022	7,450	2,522	2,160	370	18,043	5,717	23,760
2023	7,675	2,253	2,195	329	17,054	5,028	22,082
2024	7,960	1,974	2,235	288	17,422	4,376	21,798
2025	8,260	1,685	2,275	246	16,094	3,704	19,798
2026	8,580	1,385	2,315	202	15,894	3,116	19,010
2027-2031	37,595	2,309	9,640	365	63,991	7,419	71,410
2032-2036	--	--	--	--	9,208	1,330	10,538
2037-2041	--	--	--	--	850	86	936
Total debt service requirements	77,520	12,128	20,820	1,800	158,556	30,776	189,332
Less: Unamortized bond discounts	(41)	--	--	--	(53)	--	(53)
Add: Unamortized bond premiums	403	--	--	--	6,135	--	6,135
Net debt	\$ 77,882	12,128	20,820	1,800	164,638	30,776	195,414

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.02% - 0.16%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
e -- Defeased Bonds

Over time, the City has issued refunding bonds to advance refund certain public improvement bonds, certificates of obligation, and enterprise revenue bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in an amount necessary to accomplish the discharge and final payment of the refunded obligations. These funds are held by the escrow agent in an escrow fund and used to purchase direct obligations of the United States of America to be held in the escrow fund. The escrow fund is irrevocably pledged to the payment of the principal and interest on the refunded obligations.

On September 30, 2021, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
Austin Water		
Series 2011	11/15/2021	\$ 29,440
Series 2012	11/15/2021 - 11/15/2022	16,595
Series 2013A	11/15/2021	9,425
Series 2014	11/15/2021 - 5/15/2022	5,880
Series 2015A	11/15/2021 - 5/15/2022	7,675
		<u>\$ 69,015</u>

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

7 – RETIREMENT PLANS
a -- General Information

Plan Description -- The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund (City Employees), the City of Austin Police Officers' Retirement and Pension Fund (Police Officers), and the Fire Fighters' Relief and Retirement Fund of Austin, Texas (Fire Fighters). An Independent Board of Trustees administers each plan. These plans are City-wide single employer funded plans each with a fiscal year end of December 31.

All three plans were created by state law and can be found in Vernon's Texas Civil Statutes as follows:

City Employees' Fund	Article 6243n
Police Officers' Fund	Article 6243n-1
Fire Fighters' Fund	Article 6243e.1

State law governs the three pension systems including benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas. During fiscal year 2021, the Legislature passed, and Governor signed, House Bill 4368 (HB 4368) that enacted substantial reforms to the Police Officers' pension system. These changes which become effective January 1, 2022, are intended to place the fund on an actuarially sound path and reduce the projected funding period to 30 years. A new tier was established for officers hired after December 31, 2021, contribution levels and methodologies were changed, the governance structure was revised, and certain roles previously delegated to the board were revoked or revised. Further information regarding these changes is disclosed in the relevant sections of this footnote.

Plan Financial Statements -- The most recently available financial statements of the pension funds are for the year ended December 31, 2020. Stand-alone financial reports that include financial statements and supplementary information for each plan are publicly available at the locations and internet addresses shown below.

Plan	Address	Telephone
City of Austin Employees' Retirement and Pension Fund	6836 Austin Center Blvd, Suite 190 Austin, TX 78731 www.coaers.org	(512)458-2551
City of Austin Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 Austin, Texas 78704 www.ausprs.org	(512)416-7672
Fire Fighters' Relief and Retirement Fund of Austin, Texas	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 www.afrs.org	(512)454-9567

Classes of Employees Covered -- The three pension plans cover substantially all full-time employees. The City Employees' fund covers all regular, full-time employees working 30 hours or more except for civil service police officers and fire fighters. Membership in this fund is comprised of two tiers. Group A includes all employees hired before January 1, 2012. Group B includes all employees hired on or after this date. The Police Officers' fund covers all commissioned law enforcement officers and cadets upon enrollment in the Austin Police Academy. Effective January 1, 2022, membership in this fund will be comprised of two tiers. Group A includes all Police Officers hired before the effective date, and Group B includes those hired on or after that date. The Fire Fighters' fund covers all commissioned civil service and Texas state-certified fire fighters with at least six months of service employed by the Austin Fire Department.

Benefits Provided -- Each plan provides service retirement, death, and disability benefits as shown in the following chart. For the City Employees' fund, vesting occurs after 5 years of creditable service. For the other two systems, vesting occurs after 10 years of creditable service. For all three systems, creditable service includes employment at the City plus purchases of certain types of service where applicable. Withdrawals from the systems include actual contributions plus interest at varying rates depending on the system. This applies to both non-vested employees who leave the City as well as vested employees who leave the City and wish to withdraw their contributions. In addition, each plan offers various Deferred Retirement Option Programs (DROP). These are not included in the discussion of benefits provided.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Eligibility	Group A members qualify for retirement benefits at age 62; age 55 with 20 years creditable service; or any age with 23 years creditable service. No reduced benefits are available. Group B members qualify for normal retirement benefits at age 65 with 5 years creditable service or at age 62 with 30 years creditable service. Reduced benefits are available at age 55 with 10 years of creditable service.	Group A members are eligible for retirement benefits at any age with 23 years creditable service or at age 55 with 20 years creditable service (both excluding pre-membership military service). Group B members are eligible for retirement benefits at age 50 with 25 years creditable service (excluding pre-membership military service.) Any member is eligible for retirement at age 62 and any number of years of creditable service.	Members are eligible for normal retirement benefits upon the earlier of age 50 with 10 years of service or 25 years of service regardless of age. Members are eligible for early retirement at 45 with 10 years of service or with 20 years of service regardless of age.
Calculation	Average of 36 highest months of base pay multiplied by years and months of creditable service multiplied by 3% for Group A and 2.5% for Group B.	For Group A, the average of 36 highest months of base salary plus longevity pay multiplied by years and months of service multiplied by 3.2%. For Group B, 60 months and 2.5% are substituted for 36 months and 3.2%, respectively.	Average of 36 highest months of base salary plus longevity pay multiplied by years of service multiplied by 3.3% with a \$2,000 monthly minimum.
Death Benefits	Retiree or active member eligible for retirement, \$10,000 lump sum and continuation of benefits to beneficiary if this option was selected. If not eligible for retirement, refund of accumulated deposits plus death benefit from COAERS equal to those deposits excluding purchases of time.	For retirees and members eligible for retirement, \$10,000 lump sum and the member's accrued benefit as of the date of death based on annuity selected. Non-vested members receive the greater of \$10,000 or twice the amount of the member's accumulated contributions.	Surviving spouse receives 75% of retiree benefits based on the greater of 20 years or years of service at time of death. If surviving spouse exists, each dependent receives 15% of the payment paid to the surviving spouse. If no surviving spouse exists, dependents split equally the amount that would have been paid to surviving spouse.
Disability Benefits	After approved for disability benefits, active members may choose from several different disability retirement options. Must have 5 years of service if disability is not job related.	After approved for disability benefits, if disability is the result of employment duties, benefit is based on the greater of 20 years for Group A and 25 years for Group B or normal retirement calculation. Must have 10 years of service if disability is not job related and calculation is based on actual years of service.	For the first 30 months, eligible for retiree benefits based on the greater of service at time of disability or 20 years. After 30 months, continuance of annuity may be reevaluated.
Cost of Living Adjustments (COLA)	The plan does not require automatic COLAs. Such increases must be deemed sustainable by the actuary and approved by the City Council and Board of Trustees of the fund. The most recent COLA went into effect in 2002.	The most recent COLA went into effect in 2007. Effective September 1, 2021, State law no longer allows the board to approve COLAs. Any such future adjustments require legislative approval.	The plan does not require automatic COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA went into effect for 2021.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

Employees Covered by Benefit Terms -- Membership in the plans as of December 31, 2020, is as follows:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Inactive employees or beneficiaries:			
Currently receiving benefits	6,963	1,045	888
Entitled to but not yet receiving benefits	1,264	49	24
Nonvested terminated due refunds	1,854	66	0
Active employees	<u>10,138</u>	<u>1,775</u>	<u>1,154</u>
Total	<u><u>20,219</u></u>	<u><u>2,935</u></u>	<u><u>2,066</u></u>

Contributions -- For all three systems, minimum contributions are determined by the enabling legislation cited above. In certain cases, the City may contribute at a level greater than that stated in the law. While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted.

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Employee contribution (percent of earnings)	8%	13% (2)	18.7%
City contribution (percent of earnings)	19% (1)	21.737% (3)	22.05%
City contributions year ended			
September 30, 2021 (in thousands)	\$137,068	35,431	21,851

(1) A rate of 19% was effective January 1, 2021. Prior to that change, the rate was 18%.

(2) A rate of 15% will be effective January 1, 2022.

(3) The new rate of 21.737% was effective October 1, 2020. An actuarially determined contribution of 10.1% will be effective January 1, 2022. The City will also contribute according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period.

b -- Net Pension Liability

The City's net pension liability was measured as of December 31, 2020 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the City Employees' and Police Officers' funds. For the Fire Fighters fund, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 using the final 2020 assumptions and then was rolled forward to the plan's year ending December 31, 2020.

Actuarial Assumptions -- Actuarial assumptions used in the most recent actuarial valuations include:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Inflation rate	2.5%	2.5%	2.5%
Projected annual salary increases	3.5% to 5.75%	3% to 15.2% Service based (1)	3.25% to 10% Service based
Investment rate of return	7%	7.25%	7.3%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Experience study period	Data collected through December 31, 2018	January 1, 2013 – December 31, 2017	January 1, 2010 – December 31, 2019
Source for mortality assumptions	PubG-2010 Mortality Tables with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female. Mortality improvement is projected from the mortality table's base year of 2010.	PubS-2010 Mortality Tables for males and females. Generational mortality improvements projected from the year 2010 using the ultimate mortality improvement rates in the MP tables.	PubS-2010(A) Mortality Tables sex distinct with mortality improvement projected five years beyond the valuation date using scale MP-2020 and a base year of 2010.

(1) This includes the classification status change upon graduation from the academy.

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Development of Long-Term Rate of Return on Investments -- Each pension plan utilizes different asset allocations and assumed rates of return in developing the long-term rate of return on investments. However, all three use the same methodology as follows:

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following provides asset allocations and long-term expected real rate of return for each asset class for the three funds.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
City Employees:		
US equity	32%	6.25 to 6.75%
Developed markets equities	15%	7.75% to 8.25%
Emerging markets equities	8%	10%
Fixed income	20%	3%
Alternative investments	15%	2.25% to 5.5%
Real estate	10%	6%
Total	<u>100.0%</u>	
Police Officers:		
Domestic equity	42.5%	7.5%
International equity	15%	8.5%
Other equity	7.5%	7.5%
US and non-US fixed income	10%	3%
Other fixed income	5%	3.5%
Real estate	15%	4.5%
Multi asset class	5%	5%
Total	<u>100.0%</u>	
Fire Fighters:		
Public domestic equity	20%	4.8%
Public foreign equity	22%	6%
Private equity fund of funds	15%	5.6%
Investment grade bonds	13%	0.4%
Treasury inflation protected securities	5%	0.3%
High yield/bank loans	5%	2.5%
Emerging market debt	7%	2.1%
Core real estate	5%	3.7%
Non-core real estate	5%	5.8%
Natural resources	3%	6.2%
Total	<u>100.0%</u>	

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Discount Rate -- The following provides information on the discount rate used to measure the City's total pension liability. Based on the assumptions presented below, the fiduciary net position for all three funds was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The increase in the Police Officers' Fund discount rate is attributable to the assumption that City and employee contributions will increase in accordance with HB 4368 beginning January 1, 2022. The result is that a blended discount rate that incorporates the municipal bond rate is no longer required.

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Discount rate	7.0%	7.25%	7.3%
Change since last measurement date	0%	3.15%	(0.2%)
Long-term expected rate of return on pension plan investments	7.0%	7.25%	7.3%
Cash flow assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the current rate for 28 years and then will decrease to 8%.	Plan member contributions and City contributions will be made in accordance with HB 4368.	Plan member contributions will be made at current contribution rates. City contributions will be continued at the currently negotiated rate of 22.05%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -- The following presents the net pension liability of each of the pension funds of the City calculated using the long-term expected rate of return on pension plan investments, as well as what the net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
	<u>Rate</u>	<u>Net Pension Liability</u>	<u>Rate</u>	<u>Net Pension Liability</u>	<u>Rate</u>	<u>Net Pension Liability (Asset)</u>
City Employees	6.0%	\$ 2,094,328	7.0%	\$ 1,501,669	8.0%	\$ 1,011,716
Police Officers	6.25%	788,429	7.25%	605,927	8.25%	441,307
Fire Fighters	6.3%	188,243	7.3%	70,407	8.3%	(29,135)

Pension Plan Fiduciary Net Position -- Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report of each of the pension systems.

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Schedule of Changes in Net Pension Liability -- Changes in net pension liability for all three funds and the City for the measurement period ended December 31, 2020 are as follows (in thousands):

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Total pension liability at December 31, 2019	\$ 4,487,884	2,175,170	1,156,025	7,819,079
Changes for the year:				
Service cost	121,881	84,469	26,170	232,520
Interest	310,319	89,376	86,821	486,516
Benefit changes	--	--	7,159	7,159
Differences between expected and actual experience	12,524	10,320	(1,671)	21,173
Assumption changes	--	(740,167)	21,411	(718,756)
Contribution buy back	--	1,941	--	1,941
Benefit payments including refunds	(231,393)	(76,956)	(63,484)	(371,833)
Net change in total pension liability	<u>213,331</u>	<u>(631,017)</u>	<u>76,406</u>	<u>(341,280)</u>
Total pension liability at December 31, 2020	<u>4,701,215</u>	<u>1,544,153</u>	<u>1,232,431</u>	<u>7,477,799</u>
Total plan fiduciary net position at December 31, 2019	<u>2,928,033</u>	<u>857,839</u>	<u>1,029,893</u>	<u>4,815,765</u>
Changes for the year:				
Employer contributions	130,743	36,577	21,311	188,631
Employee contributions	71,470	22,181	18,073	111,724
Contribution buy back	--	1,941	--	1,941
Pension plan net investment income (loss)	307,289	98,573	157,323	563,185
Benefits payments and refunds	(231,393)	(76,956)	(63,484)	(371,833)
Pension plan administrative expense	(6,596)	(1,929)	(1,092)	(9,617)
Net change in total plan fiduciary net position	<u>271,513</u>	<u>80,387</u>	<u>132,131</u>	<u>484,031</u>
Total plan fiduciary net position at December 31, 2020	<u>3,199,546</u>	<u>938,226</u>	<u>1,162,024</u>	<u>5,299,796</u>
Net pension liability at December 31, 2019	<u>1,559,851</u>	<u>1,317,331</u>	<u>126,132</u>	<u>3,003,314</u>
Net pension liability at December 31, 2020	<u>\$ 1,501,669</u>	<u>605,927</u>	<u>70,407</u>	<u>2,178,003</u>

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

The City Employees' fund had no significant changes to benefit terms or assumptions that affected the total pension liability for the measurement period.

The Police Officers' fund had no significant changes to benefit terms that affected the total pension liability for the measurement period. The only assumption change is an increase in the investment rate of return from 4.1% to 7.25% resulting from a revised cash flow assumption that future contributions will be increased in accordance with HB 4368.

The Fire Fighters' fund had changes of assumptions and benefit terms that affected the pension liability. Effective January 1, 2021 a cost-of-living adjustment increase of 1.4% went into effect.

Changes of assumptions for the Fire Fighters' fund included:

- The investment rate of return was decreased from 7.5% to 7.3%.
- The payroll growth rate increased from 2.0% to 2.5%.
- Although the mortality tables used, PubS-2010(A), remained the same, scale MP-2020 was used to project mortality improvement five years beyond the valuation date replacing scale MP-2019 which was used in the previous year.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2021, was comprised of the following (in thousands):

	Pension Expense
City Employees	\$ 176,955
Police Officers	90,811
Fire Fighters	(2,015)
Total	\$ 265,751

7 – RETIREMENT PLANS, continued

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands):

Source	City Employees	Police Officers	Fire Fighters	Total
Deferred Outflows of Resources				
Contributions to the plans subsequent to the measurement date	\$ 101,751	25,941	15,988	143,680
Differences between expected and actual experience	33,122	22,135	7,002	62,259
Changes in assumptions	172,362	570,198	29,350	771,910
Changes in proportionate share (between funds)	16,744	--	--	16,744
Total	323,979	618,274	52,340	994,593
Deferred Inflows of Resources				
Differences between expected and actual experience	--	14,355	9,298	23,653
Changes in assumptions	--	642,520	2,987	645,507
Net difference between projected and actual earnings on pension plan investments	181,710	51,447	76,605	309,762
Changes in proportionate share (between funds)	16,744	--	--	16,744
Total	\$ 198,454	708,322	88,890	995,666

The portion of deferred outflows and inflows of resources that will be recognized as an increase (decrease) in pension expense is as follows (in thousands):

Fiscal Year Ended September 30	City Employees	Police Officers	Fire Fighters	Total
2022	\$ 9,460	(3,242)	(19,482)	(13,264)
2023	46,600	2,273	(3,738)	45,135
2024	(26,415)	(18,494)	(24,741)	(69,650)
2025	(6,302)	(629)	(12,008)	(18,939)
2026	431	6,727	2,138	9,296
Thereafter	--	(102,624)	5,293	(97,331)
Total	\$ 23,774	(115,989)	(52,538)	(144,753)

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

a -- General Information

Plan Description -- In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. The City of Austin OPEB Plan is a defined-benefit single-employer plan. Allocation of City funds to pay postemployment benefits other than pensions 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 is under no obligation to pay any portion of the cost of other postemployment benefits for retirees or their dependents. The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Day-to-day accounting and administration of the OPEB activities is provided by the City and recorded in the Employee Benefits fund. However, at year end an adjustment was made to recognize OPEB expense in the operating funds that provide funding to the Employee Benefits fund to pay for these benefits. No separate plan report is available.

Unlike pensions, State law does not provide specific requirements or authority for OPEB. Instead, the City relies on its status as a municipal corporation under Article XI, Section 5 of the Constitution of the State of Texas, the Home Rule Amendment, as the authority under which OPEB is provided to retirees. Any amendments to the OPEB Plan are approved by City Council through the annual budget approval process.

Benefits Provided -- Other postemployment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems as described in Note 7 are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

Plan members do not pay into the OPEB plan while in active employment nor does the City pay on behalf of active employees. The City pays actual claims for medical and prescription drug coverage as a primary provider for non-Medicare eligible, and as a secondary provider for Medicare eligible retirees through either a PPO, HMO, or CDHP, (Consumer Driven Health Plan), medical plan as selected by the retiree. The City subsidizes a maximum of 80% of the projected medical premium for retirees, 50% for dependents, and 70% (75% if pre-Medicare) for surviving spouses. Subsidies are based on years of service at retirement as displayed in the table below and are applied to the corresponding maximum reflected above. For example, a retiree with less than five years of service would be eligible for a subsidy of 16% (20% of 80%). Retirees must pay the unsubsidized portion of the premium.

For the 2021 plan year, (January 1 to December 31), the percentage of the maximum subsidy paid by the City was as follows:

<u>Years of Service at Retirement</u>	<u>Percent of Maximum Subsidy Paid by the City</u>
<5	20%
5-9	30%
10-14	50%
15-19	70%
20 and over	100%

The City pays 100% of the retiree's basic life insurance premium. The cost of coverage above the \$1,000 level is paid by the retiree. 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. If excise tax is payable in the future, it is assumed that these costs will also be paid by the retirees.

Employees Covered by Benefit Terms -- The City has elected to do biennial actuarial valuations of its other postemployment benefits liability with a roll forward in the off years. The current year is a roll forward year and as a result membership in the plan is presented as of December 31, 2019:

Inactive employees or beneficiaries currently receiving benefits	7,756
Inactive employees entitled to but not yet receiving benefits	3,179
Active employees	13,187
Total	<u>24,122</u>

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
b -- Total OPEB Liability

The City's total OPEB liability of \$4.3 billion was determined by an actuarial valuation as of December 31, 2019 that was rolled forward to December 31, 2020, the measurement date. Of the total liability, \$63.4 million is considered to be due within one year.

Actuarial Assumptions and Other Inputs -- Actuarial assumptions used in the most recent actuarial valuations are shown below. The majority of the demographic assumptions used in the OPEB valuation are identical to those used in the pension valuations from the previous reporting period. As a result, experience studies performed by the pension systems as described in Note 7a and Required Supplementary Information were also relied upon.

General Assumptions	
Inflation rate	• NA
Salary increases	• Vary by retirement group, age, and years of service
Discount rate	• 2.12%
Healthcare cost trend rates	
Medical (pre-65)	• 6.75% graded to 4.5% over 9 years
Medical (post-65)	• 5.75% graded to 4.5% over 5 years
Prescription drug	• 7.75% graded to 4.5% over 13 years
Dental	• 3%
Administrative costs	• 2.5%
Experience studies	• Experience for healthcare cost trend rates was based on activity from January 1, 2017 to December 31, 2019 for medical costs and prescriptions.
Sources for mortality rate assumptions	
General (Actives)	• PubG-2010 Employee Mortality Table projected generationally using the ultimate mortality improvement rate in the MP tables
General (Healthy retirees)	• PubG-2010 Healthy Retiree Mortality Table projected generationally using the ultimate mortality improvement rate in the MP tables
General (Disabled retirees)	• PubG-2010 Healthy Retiree Mortality Table, set forward three years, projected generationally using the ultimate mortality improvement rate in the MP tables
Police (Actives)	• PubS-2010 Employee Mortality Table projected generationally using the ultimate mortality improvement rates in the MP tables
Police (Healthy Retirees)	• PubS-2010 Healthy Retiree Mortality Table projected generationally using the ultimate mortality improvement rates in the MP tables
Police (Disabled Retirees)	• PubS-2010 Disabled Mortality Table projected generationally using the ultimate mortality improvement rates in the MP tables
Fire (Actives)	• PubS-2010(A) Employee Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2019
Fire (Healthy Retirees)	• PubS-2010(A) Healthy Retiree Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2019
Fire (Disabled retirees)	• PubS-2010(A) Disabled Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2019

Discount Rate -- The discount rate for OPEB, which is funded entirely on a pay-as-you-go basis, is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the OPEB measurement at December 31, 2020, the City's actuaries used the Bond Buyer US Weekly Yields 20 General Obligation Bond Index of 2.12%. The decrease in the discount rate from 2.74% in the prior year to 2.12% in the current year resulted in a significant increase in the total OPEB liability. Approximately 60% of the increase from the prior year, or \$504 million, is attributable to the change in the discount rate assumption.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
b -- Total OPEB Liability, continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate -- The following presents the City's total OPEB liability calculated using the discount rate discussed above, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate (in thousands).

<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
<u>Rate</u>	<u>Total OPEB Liability</u>	<u>Rate</u>	<u>Total OPEB Liability</u>	<u>Rate</u>	<u>Total OPEB Liability</u>
1.12%	\$ 5,391,838	2.12%	\$ 4,346,367	3.12%	\$ 3,559,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates -- The following presents the City's total OPEB liability calculated using the healthcare cost trend rates displayed above, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current rates (in thousands).

<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
<u>Total OPEB Liability</u>	<u>Total OPEB Liability</u>	<u>Total OPEB Liability</u>
\$ 3,491,620	\$ 4,346,367	\$ 5,506,954

Schedule of Changes in Total OPEB Liability -- Changes in the total OPEB liability for the measurement period ended December 31, 2020 are as follows (in thousands):

Total OPEB liability at December 31, 2019	<u>\$ 3,504,494</u>
Changes for the year:	
Service cost	167,027
Interest	99,915
Benefit changes	--
Differences between expected and actual experience	(6,103)
Assumption changes	631,360
Benefit payments	<u>(50,326)</u>
Net change in total OPEB liability	<u>841,873</u>
Total OPEB liability at December 31, 2020	<u>\$ 4,346,367</u>

The OPEB plan changes included:

- Effective January 1, 2021, the fully insured Cigna dental PPO option was replaced with the self-insured BlueCross BlueShield BlueCare dental PPO. Retiree contribution rates for both the prior fully-insured option and the new self-insured option are expected to cover the full cost of the benefits, thus the net OPEB liability associated with dental benefits remain \$0 after the plan change.

The OPEB plan assumption changes included:

- Decreasing the discount rate from 2.74% to 2.12% based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Assuming level rather than increasing premium rates from the prior year,
- Adjusting demographic assumptions to mirror any changes in the pension plan demographic assumptions for the previous plan year. See pension plan Note 7a and Required Supplementary Information for additional information on these changes.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

c -- Other Postemployment Benefits Expense

Total OPEB expenses recognized by the City for the fiscal year ended September 30, 2021 were \$492.2 million.

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Benefit payments subsequent to the measurement date	\$ 40,468	--
Differences between expected and actual experience	39,223	5,284
Changes in assumptions	1,377,037	165,583
Changes in proportionate share (between funds)	<u>35,193</u>	<u>35,193</u>
Total	<u>\$ 1,491,921</u>	<u>206,060</u>

The portion of deferred outflows and inflows of resources that will be recognized in OPEB expense is as follows (in thousands):

<u>Fiscal Year Ended September 30</u>	
2022	\$ 223,141
2023	223,141
2024	223,141
2025	202,440
2026	193,514
Thereafter	<u>180,016</u>
Total	<u>\$ 1,245,393</u>

9 -- DERIVATIVE INSTRUMENTS

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

In accordance with GAAP, the City is required to report the fair value of all derivative instruments on the statement of net position. All derivatives must be categorized into two basis types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net position, and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, which is the City's fiscal year end date of September 30. This requires consideration of nonperformance risk when measuring the fair value of a liability and considers the effect of the government's own credit quality and any other factors that might affect the likelihood that the obligation will or will not be fulfilled.

a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, capacity, 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 revenue rights for the purpose of reducing exposure to natural gas, energy, capacity, 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.

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

Hedging Derivative Instruments

Natural Gas Derivative Instruments

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, 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, using a hierarchy level 2 market approach. 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 is categorized as hierarchy level 2, 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, including any necessary price analysis adjustments, 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, 2021, no premiums were deferred. As of September 30, 2021, the fair value of Austin Energy's futures, options, and swaps was an unrealized gain of \$2.3 million, all of which is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the statement of net position using deferred outflows and deferred inflows.

Congestion Revenue Rights Derivative Instruments

Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. While the instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments, they are generally used by Austin Energy as factors in the cost of transmission, and therefore meet the Normal Purchases and Normal Sales scope exception allowing them to be reported at cost.

In fiscal year 2021, Austin Energy did not sell PCRRs. At September 30, 2021, \$222 thousand remained deferred under the accounting requirements for regulated operations.

On September 30, 2021, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction	Reference Index	Fair Value at September 30, 2021			Change in Fair Value	Premiums Deferred
		Maturity Dates	Notional Volumes	Fair Value		
Long OTC Call Options	Henry Hub	Dec 2021 - Sept 2022	2,130,000 (1)	\$ 2,330	2,233	--
		Derivative instruments (assets)		2,330	2,233	--
Short OTC Put Options	Henry Hub	Dec 2021 - Sept 2022	(2,130,000) (1)	--	76	--
		Derivative instruments (liabilities)		--	76	--
Total				\$ 2,330	2,309	--

(1) Volume in MMBTUs

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 Power Supply Adjustment 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 instrument contracts expose Austin Energy to custodial credit risk on exchange-traded derivative instrument positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected.

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

The over-the-counter agreements expose Austin Energy to credit risk. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit ratings and strict oversight by federal regulators. The contractual provisions applied to these contracts under the International Swaps and Derivatives Association (ISDA) agreement include collateral provisions at specified thresholds. At September 30, 2021, no collateral was required under these provisions.

The congestion revenue rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT, a regulatory entity of the State of Texas. In the event of default of nonperformance, Austin Energy's operations will not be materially affected.

Termination Risk. Termination risk is the risk that a derivative instrument 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 mitigated due to the high credit rating of the counterparties and the contractual provisions under the ISDA agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivative instruments up to the fair value of the instrument.

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (Katy/HSC) different than that at which the financial hedging contracts are expected to settle i.e. NYMEX (Henry Hub). As of September 30, 2021, the NYMEX price was \$5.84 per MMBTU (one million British thermal unit, a measurement of heating value), Katy was \$5.85 per MMBTU, and the HSC Hub price was \$5.87 per MMBTU.

b -- Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of each of the City's swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

As of September 30, 2021, the City has two outstanding swap transactions with initial and outstanding notional amounts totaling \$295.9 million and \$159 million, respectively. The fair values of the interest rate derivative instrument transactions were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current amount, discounted using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows. Where applicable under the income approach an option pricing model is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all the transactions. Given the observability of inputs significant to the measurements, the fair values of the transactions are categorized as Level 2.

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

On September 30, 2021, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date	Notional Amount	Fair Value
Business-Type Activities:						
Hedging derivatives:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	\$ 94,030	(14,383)
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	64,690	(7,107)
					<u>\$ 158,720</u>	<u>(21,490)</u>

All swaps are pay-fixed interest rate swaps. All were entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

The fair value of the City's interest rate swap hedging derivative instruments is reported as derivative instruments in liabilities with an offsetting adjustment to deferred outflow of resources. The table below provides for the fair value and changes in fair value of the City's interest rate swap agreements as of September 30, 2021 (in thousands):

Item	Outstanding Notional Amount	Fair Value and Classification		Change in fair value	
		Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	\$ 94,030	(14,383)	Non-current liability	(5,650)	--
HOT1	64,690	(7,107)	Non-current liability	(3,274)	--
<u>\$ 158,720</u>		<u>(21,490)</u>		<u>(8,924)</u>	<u>--</u>

Due to the continued low interest rate levels during fiscal year 2021, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2021. The fair value takes into consideration nonperformance risk, the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received.

Risks

Credit risk. As of September 30, 2021, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates change and the fair value of a swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value.

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2021, are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings		
			Moody's Investors Service, Inc	Standard & Poor's	Fitch Ratings, Inc
Business-Type Activities:					
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	A1	A+	A+
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products (MKFP)	A2	BBB+	A-

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

Swap agreements for both 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 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, 2021, are included in the table below (in thousands):

Item	Related Variable Rate Bonds	Counterparty Swap Interest			Interest to Bondholders	Net Interest Payments
		Pay	Receive	Net		
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	\$ (3,404)	57	(3,347)	(66)	(3,413)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(2,136)	51	(2,085)	(47)	(2,132)
		<u>\$ (5,540)</u>	<u>108</u>	<u>(5,432)</u>	<u>(113)</u>	<u>(5,545)</u>

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, 2021, the City bears basis risk on the Swap HOT1. This swap has basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bond. 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 bond. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Tax risk. Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City's bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bond if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Nonperformance/Termination risk. The City or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination, the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City.

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, 2021, the City did not have any investment derivative instruments related to interest rate swaps.

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

As of September 30, 2021, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable Rate Bonds (in thousands)		Interest Rate Swaps, Net	Total Interest
	Principal	Interest (1)		
2022	\$ 6,810	1,678	3,624	5,302
2023	17,385	1,502	3,446	4,948
2024	17,350	1,314	3,038	4,352
2025	17,945	1,121	2,619	3,740
2026	14,960	921	2,230	3,151
2027-2031	84,270	1,575	6,294	7,869
Total	<u>\$ 158,720</u>	<u>8,111</u>	<u>21,251</u>	<u>29,362</u>

- (1) The net effect of the reference rate projected to be paid to the City versus the variable rate projected to be paid to bondholders utilizing rates in effect at the end of the fiscal year.

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2021, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issuances.

<u>Nonmajor Governmental</u>	<u>Deficit</u>
Special Revenue Funds:	
Project Connect	\$ 2
Neighborhood Revitalization	19
Cultural Arts	1,199
Capital Projects Funds:	
2016 fund	
Mobility	49,036
2018 fund	
Affordable Housing	60,377
Parks	17,692
Open Space	22,420
Transportation	4,282
2020 fund	
Transportation	686
Other funds	
Build Austin	108
Fire - General	30,397
Public Works	82
Waller Creek District	15,283
Nonmajor Enterprise	
Austin Resource Recovery	135,107
Development Services	103,677
Transportation	148,487
Internal Service	
Liability Reserve	14,677
Workers' Compensation	5,047

11 – INTERFUND BALANCES AND TRANSFERS
a -- Interfund receivables, payables, and advances

Interfund receivables, payables, and advances at September 30, 2021, are as follows (in thousands):

Due To	Due From		
	Nonmajor Governmental	Austin Water	Total
General Fund	\$ 5	--	5
Nonmajor governmental	128,436	--	128,436
Nonmajor enterprise	--	301	301
Total	\$ 128,441	301	128,742

Interfund receivables (due from) and payables (due to) reflect short term loans between funds, mainly the result of short-term deficits in pooled investments and cash (\$124.8 million), the majority of which is related to capital project funds (\$113.1 million). Deficits in grant funds awaiting reimbursement from grantors (\$14.4 million) was borrowed from the Fiscal Surety - Land Development Fund.

Advances From	Advances To					
	Nonmajor Governmental	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total
Nonmajor governmental	\$ 69,910	--	--	1	110	70,021
Austin Water	75	5,952	--	--	--	6,027
Nonmajor enterprise	191	--	902	--	--	1,093
Total	\$ 70,176	5,952	902	1	110	77,141

Advances to and advances from reflect borrowings that will not be liquidated within one year. The advances to Nonmajor Governmental was for the purchase of two hotels that will be converted to house the homeless, and the purchase of land for affordable housing projects. The advance to Austin Water Utility from Austin Energy funded the Combined Utility System Revenue Bond Retirement Reserve Account. Austin Energy funded the entire reserve, which replaced an insurance policy previously held for combined lien reserve, on behalf of both enterprise funds.

b -- Transfers

Transfers at September 30, 2021, are as follows (in thousands):

Transfers Out	Transfers In						
	General Fund	Nonmajor Governmental	Austin Energy	Austin Water	Nonmajor Enterprise	Internal Service	Total
General Fund	\$ --	17,945	--	--	10,918	--	28,863
Nonmajor governmental	8,548	131,140	1,060	--	50,607	--	191,355
Austin Energy	122,367	--	--	--	--	--	122,367
Austin Water	50,271	1,152	5,661	--	--	146	57,230
Airport	--	--	41	--	--	--	41
Nonmajor enterprise	5,255	9,068	--	75	--	181	14,579
Internal service	--	16,098	--	--	280	22	16,400
Total	\$ 186,441	175,403	6,762	75	61,805	349	430,835

Interfund transfers are authorized through City council approval. Significant transfers include:

- Austin Energy and Austin Water transfer funds to the General Fund (\$172.6 million), which are comparable to a return on investment to owners.
- The Hotel-Motel Occupancy Tax (\$42 million) and the Vehicle Rental Tax (\$7.2 million), both special revenue funds, transfer funds to the Convention Center in support of convention operations and debt services.
- Affordable Housing (\$78.5 million), a capital projects fund, transferred funds to Austin Housing Finance Corporation, a special revenue fund, in support of affordable housing.

12 – SELECTED REVENUES

a -- Major Enterprise Funds

Austin Energy and Austin Water

The Public Utility Commission (PUCT) has jurisdiction over electric utility wholesale transmission rates. On July 2, 2018, the PUCT approved the City's most recent wholesale transmission rate of \$1.187214/KW. Transmission revenues totaled approximately \$84 million in fiscal year 2021. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, 2021, the City has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed-rate component and cost-adjustment factors that allow for recovery of power supply, regulatory, and community benefit costs. If actual costs differ from amounts billed to customers, then regulatory assets or deferred inflows are recorded by Austin Energy. Pass-through rates are set annually, and the power supply adjustment charge can be adjusted when over- or under-recovery is more than 10% of expected power supply costs. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

Airport

The City has entered into certain lease agreements as the lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2021, the Airport fund revenues included minimum concession guarantees of \$25,579,317.

The following is a schedule by year of minimum future rentals on non-cancelable operating leases with remaining terms of up to 80 years for the Airport fund as of September 30, 2021 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2022	\$ 34,813
2023	31,821
2024	31,451
2025	31,329
2026	31,325
2027-2031	38,062
2032-2036	9,636
2037-2041	6,719
2042-2046	2,085
Thereafter	695
Totals	<u>\$ 217,936</u>

b -- Operating Lease Revenue

The City has entered into various lease agreements as the lessor of office space, antenna space and ground leases. Minimum guaranteed income on these non-cancelable operating leases is as follows (in thousands):

Fiscal Year Ended September 30	Future Lease Receivables
2022	\$ 2,434
2023	2,405
2024	2,346
2025	2,271
2026	2,208
2027-2031	10,287
2032-2036	9,810
2037-2041	9,118
2042-2046	7,602
Thereafter	53,418
Totals	<u>\$ 101,899</u>

13 – TAX ABATEMENTS

The City grants tax abatements under one of two programs, the Chapter 380 Performance Based Economic Development Incentive Program under which sales and property taxes may be rebated if the entity meets performance criteria, and the Media Production and Development Zone program under which sales and use taxes may be abated.

a -- Performance Based Rebate Program

To promote local economic development and stimulate business and commercial activity in the municipality, the City has granted tax rebate agreements under the authority of Chapter 380 of the Texas Local Government Code through the City's Chapter 380 Performance Based Economic Development Incentive Program. All or a portion of property tax, sales tax, or a combination of the two were abated as a part of these agreements. To be eligible to participate in the program an entity must make a commitment to move or expand its business in the City through investments in real and/or personal property or leasehold improvements as well as commitments about the number of new jobs it will create. Some agreements also require the participants in this program to meet other City requirements such as average compensation and local business participation. Each agreement is negotiated individually, and the terms vary depending on the type of development and the economic benefits to the City.

Sales taxes abated may either be all or a portion of those generated by the entity or its actions. The amount of property taxes abated may be all or a portion of property taxes on the entity's real and personal property or leasehold investment. Agreements generally run for a certain number of years and may be subject to a not-to-exceed maximum of taxes to be abated. All taxes are collected and then refunded if the entity meets commitments made under the agreement. If criteria are not met, no taxes are refunded.

During fiscal year 2021, the City had four active agreements under this program. Two agreements satisfied the compliance requirements in fiscal year 2021 which resulted in rebates of tax abatements of approximately \$6.9 million. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur.

b -- Exemption Program

There were no active agreements under the Media Production Development and Zone Program during fiscal year 2021.

The City is not subject to any tax abatement agreements entered into by other governmental entities.

14 – COMMITMENTS AND CONTINGENCIES

a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with LCRA. Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

Austin Energy's investment is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was \$24.2 million as of September 30, 2021. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2021, Austin Energy's investment in the STP was approximately \$362.7 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.

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

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 was issued a 20-year license renewal by the Nuclear Regulatory Commission (NRC) in September 2017. Unit 1 and 2 are currently licensed through 2047 and 2048, respectively.

c -- South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted investments held by trustee. The related liability is reported as an asset retirement obligation. 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, 2021, the trust's assets exceeded the total expenses amortized over the pro-rata useful life of the asset by \$6.9 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning Trust Assets	\$ 240,709
Pro Rata Decommissioning Expense	<u>(233,808)</u>
	<u>\$ 6,901</u>

STP is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit a certificate of financial assurance to the NRC for plant decommissioning every two years or upon transfer of ownership. The certificate provides reasonable assurance that sufficient funds are being accumulated to provide the minimum requirement for decommissioning mandated by the NRC. The most recent annual calculation of financial assurance filed on December 31, 2020 showed that the trust assets exceeded the minimum required assurance by \$83.7 million.

d -- Purchased Power

Austin Energy has commitments totaling \$4.7 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041 and solar through 2046.

e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly and Fayette Power Plants and Austin Energy's system control center. At September 30, 2021, the financial statements include a \$1.7 million short term environmental liability classified as other liabilities. The amount is based on 2021 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Airport grant agreement

In October 2017, the Airport entered into a grant agreement with ABLE to provide support for ABLE's \$45,600,000 Series 2017 Airport Hotel Senior Revenue Refunding and Improvement Bonds issuance. The bonds are special limited obligations of ABLE and are payable by ABLE from revenues generated from the hotel located adjacent to the airport. Pursuant to the agreement, the Airport agreed to provide financial assistance to restore deficiencies in ABLE's Senior Debt Service Reserve Fund, to the extent that Surplus Airport System Revenues, as defined in the grant agreement, are available. The Airport has no obligation under this agreement to fund a deficiency if the hotel ceases operations nor does the agreement constitute a commitment, conditional or otherwise, to pay the debt service on the bonds. The terms of the agreement end on the date when the bonds are no longer outstanding. As of September 30, 2021, the Airport has provided \$2.6 million in financial assistance to restore deficiencies in ABLE's Senior Debt Service Reserve Fund.

14 – COMMITMENTS AND CONTINGENCIES, continued
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, 2021.

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. Department of Treasury, U.S. Department of Transportation, and U.S. Environmental Protection Agency. The City's programs are subject to program compliance audits by the grantor agencies. Management believes that no material liability will arise from any such audits.

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 2021 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	Remaining Commitment (in thousands)
Governmental activities:	
General government	\$ 61,286
Public safety	93,300
Transportation, planning, and sustainability	291,141
Public health	29,236
Public recreation and culture	157,288
Urban growth management	49,552
Business-type activities:	
Electric	103,337
Water	180,200
Wastewater	177,386
Airport	103,147
Convention	49,111
Environmental and health services	9,469
Public recreation and culture	62
Urban growth management	120,890
Total	\$ 1,425,405

j -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2021 is as follows (in thousands):

	Encumbrances
General Fund	\$ 58,976
Nonmajor governmental	
Special Revenue	41,790
Capital Projects	190,152
	\$ 290,918

Significant encumbrances include reservations for COVID-19 contracts (\$11,146), 2012 General government projects (\$13,488), Communications and Technology Management (\$14,738), 2018 transportation bond programs (\$14,748), General government projects (\$17,443), and the 2016 mobility transportation bond program (\$68,827).

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

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Flooding in fiscal year 2015 delayed repairs and final landfill closure. Substantial repairs for damage sustained from flooding have since been completed, and closure with TCEQ occurred in May 2021. While the landfill only reached 99.04% capacity, the City is no longer accepting waste. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2021, is as follows (in thousands):

	<u>Closure</u>	<u>Postclosure</u>	<u>Total</u>
Total estimated costs	\$ 25,381	20,240	45,621
% capacity used	100%	100%	100%
Cumulative liability accrued	25,381	20,240	45,621
Costs incurred	(25,381)	(441)	(25,822)
Closure and postclosure liability	<u>\$ --</u>	<u>19,799</u>	<u>19,799</u>

These amounts are based on the 2021 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.

I -- Asset Retirement Obligations (ARO)

South Texas Project (STP) -- Federal regulations require Austin Energy to perform certain asset retirement obligations related to decommissioning STP, a nuclear power station located in Bay City, Texas. These regulations are provided by the Nuclear Regulatory Commission (NRC) and require licensed nuclear facilities to follow both technical and financial criteria for decommissioning activities. An external decommissioning cost study is performed every five years. The most recent cost study was completed in May 2018 by TLG Services, Inc. and included a total decommissioning cost estimate of \$2.5 billion. Austin Energy, holding a 16% ownership interest in STP, has included a total ARO estimate of \$418.7 million (adjusted to 2021 dollars) and an associated deferred outflow of resources of \$184.9 million. Austin Energy has restricted assets held in an irrevocable trust to cover the eventual decommissioning costs and as of September 30, 2021, trust assets totaled \$240.7 million.

Fayette Power Project (FPP) -- Federal and state regulations as well as contractual obligations require Austin Energy to perform certain asset retirement activities associated with our ownership of FPP, two coal-fired electric generating units. A cost study performed by the LCRA assessed the activities required for capital asset retirement and includes a best estimate of the current value of costs to be incurred related to legal or contractual obligations. Austin Energy, holding a 50% ownership in Units 1 and 2 with the LCRA, has included a total ARO estimate of \$17.9 million and an associated deferred outflow of resources of \$15 million. Austin Energy, as joint owner of the facility, will amortize the deferred outflow related to regulatory obligations over 20 years, the estimated remaining useful life of the plant. Austin Energy will amortize the deferred outflow related to the contractual obligation over the remaining leased period of 3 years.

Wastewater treatment plants -- Federal regulations require the City to perform certain asset retirement obligations related to its wastewater treatment plants. The City must close the wastewater treatment facilities in a manner that minimizes the need for further maintenance and minimizes or controls postclosure escape of hazardous waste, hazardous constituents, leachate, contaminated run-off, or hazardous waste decomposition products to the ground or surface waters. Based on historical vendor invoices to remove solids from wastewater treatment plants, the ARO for wastewater treatment plants was approximately \$1.3 million as of September 30, 2021 and is reported as asset retirement obligations in the Austin Water fund, a major enterprise fund. The associated deferred outflow of \$501 thousand will be amortized over the remaining useful lives of the City's wastewater treatment plants, which range from 5 to 40 years.

Petroleum underground storage tanks -- State regulations require the City to perform certain asset retirement obligations pertaining to its petroleum underground storage tanks. Upon retirement of the tanks, the City is required to either remove the tank from the ground, permanently fill the tank in place, or conduct a permanent change in service. The City is opting to remove the tanks from the ground upon retirement. Based on an estimate from a certified vendor, the ARO for petroleum underground storage tanks was approximately \$518 thousand as of September 30, 2021 and is reported as asset retirement obligations in the Fleet Maintenance fund, an internal service fund. The associated deferred outflow of \$116 thousand will be amortized over the remaining useful lives of the City's petroleum underground storage tanks, which range from 1 to 22 years.

14 – COMMITMENTS AND CONTINGENCIES, continued
m -- Risk-Related Contingencies

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

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 73% of City employees and 81% of retirees use the PPO option; approximately 10% of City employees and 17% of retirees use the HMO option; and approximately 17% of City employees and 2% of retirees use the CDHP with HSA option. Costs are charged to City funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other City funds each year based on historical costs. Third-party claims activities are also reported directly in the Austin Energy, Austin Water, and Airport enterprise funds.
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, HMO, and CDHP plans. Stop-loss insurance covers individual claims that exceed a stated threshold amount per calendar year. Beginning in 2019 the stated threshold amount is \$750,000 with an unlimited maximum. In fiscal year 2021, two claims exceeded the stop loss limit of \$750,000. In fiscal year 2020, four claims exceeded the stop loss limit of \$750,000. In fiscal year 2019, four claims exceeded the stop loss limit of \$500,000 related to calendar year 2018 claims and no claims exceeded the stop loss limit of \$750,000 related to 2019 claims. City coverage is unlimited for lifetime of 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 to date. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third-party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The City utilizes actuarial information, which is based on historical claim settlement trends, to determine the claim liabilities for the Employee Benefits fund and Workers' Compensation fund. Claims liabilities for the Austin Energy, Austin Water, Airport, and Liability Reserve funds are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from \$87.9 to \$102.7 million. In accordance with GAAP, \$87.9 million is recognized as claims payable in the financial statements with \$49.4 million recognized as a current liability and \$38.5 million recognized as long term liability. For Employee Benefits and Workers' Compensation, city funds contribute amounts to these internal service funds based on an estimate of anticipated costs for claims each year. Austin Energy, Austin Water, and Airport report their respective claims activities for third-party claims. All other funds contribute amounts to the Liability Reserve fund based on an estimate of anticipated costs for claims each year.

14 – COMMITMENTS AND CONTINGENCIES, continued
m -- Risk-Related Contingencies, continued

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

	Austin Energy		Austin Water		Airport	
	2021	2020	2021	2020	2021	2020
Liability balances, beginning of year	\$ 252	232	310	310	--	--
Claims and changes in estimates	1,097	66	90	108	--	8
Claim payments	(120)	(46)	(120)	(108)	--	(8)
Liability balances, end of year	<u>1,229</u>	<u>252</u>	<u>280</u>	<u>310</u>	<u>--</u>	<u>--</u>

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2021	2020	2021	2020	2021	2020
Liability balances, beginning of year	18,622	16,187	2,158	2,172	28,342	28,881
Claims and changes in estimates	170,960	165,241	28,368	999	20,596	3,693
Claim payments	(173,296)	(162,806)	(3,920)	(1,013)	(5,444)	(4,232)
Liability balances, end of year	<u>\$ 16,286</u>	<u>18,622</u>	<u>26,606</u>	<u>2,158</u>	<u>43,494</u>	<u>28,342</u>

The Austin Water claims liability balance at fiscal year-end included liabilities of \$284 thousand discounted at 2.44% in 2021 and \$250 thousand discounted at 2.46% in 2020. The claims liability balance for all other funds had no discounted liability in fiscal years 2021 and 2020.

n -- No-Commitment Special Assessment Debt

In November 2011, the City issued \$15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. In October 2020 a partial early redemption of \$185,000 occurred, reducing the outstanding bonds. \$2,246,619 in total assessments were levied in the year ended September 30, 2021. The aggregate principal outstanding at September 30, 2021 is \$9,850,000.

In November 2011, the City issued \$2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$467,627 in total assessments were levied in the year ended September 30, 2021. The aggregate principal outstanding at September 30, 2021 is \$1,950,000.

In July 2013, the City issued \$12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. In May 2021 a partial early redemption of \$155,000 occurred, reducing the outstanding bonds. \$1,837,991 in total assessments were levied during the fiscal year ended September 30, 2021. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2021 are \$8,195,000 and \$833, respectively.

14 – COMMITMENTS AND CONTINGENCIES, continued
n -- No-Commitment Special Assessment Debt, continued

In December 2018, the City issued \$4,265,000 and \$8,305,000 of Special Assessment Revenue Bonds, Series 2018 #1 and #2, respectively, related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. In May 2021 a partial optional redemption of \$100,000 occurred, reducing the outstanding bonds. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$945,913 in total assessments were levied during the fiscal year ended September 30, 2021. The aggregate principal outstanding at September 30, 2021 is \$11,685,000.

In April 2019, the City issued \$4,500,000 of Special Assessment Revenue Bonds, Series 2019 related to the Whisper Valley Public Improvement District, Phase 1. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$267,108 in total assessments were levied during the fiscal year ended September 30, 2020. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2021 are \$4,315,000 and \$4,973, respectively.

o -- Capital Leases

The City has entered into 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. The lease agreements end in 2023, 2025 and 2031. See Note 6 for the debt service requirements on these leases.

The following summarizes capital assets recorded at September 30, 2021, under capital lease obligations (in thousands):

Capital Assets	Governmental Activities	Austin Energy
Building and improvements	\$ --	1,405
Communication equipment	23,702	--
Equipment	14,257	--
Accumulated depreciation	(6,222)	(668)
Net capital assets	<u>\$ 31,737</u>	<u>737</u>

14 – COMMITMENTS AND CONTINGENCIES, continued
p -- Operating Leases

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2021, was \$29.6 million. Future minimum payments on these non-cancelable operating leases is as follows (in thousands):

Fiscal Year Ended September 30	Future Lease Payments
2022	\$ 29,819
2023	28,399
2024	20,697
2025	13,478
2026	7,392
2027-2031	11,929
2032-2036	1,989
2037-2041	1,718
2042-2046	1,718
Thereafter	11,680
Totals	\$ 128,819

15 – 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 Austin Energy, Austin Water, Airport, and Liability Reserve funds for claims payable at September 30, 2021. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year end.

16 – CONDUIT DEBT

The City has issued several series of housing revenue bonds to provide for low-cost housing. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 2021, \$210.8 million in housing revenue bonds were outstanding with an original issue value of \$217.8 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport. 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, 2021, \$147.3 million in revenue and revenue refunding bonds were outstanding with an original issue value of \$147.3 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.

17 – PUBLIC-PRIVATE PARTNERSHIP ARRANGEMENTS

In 2018, the City entered into a Lease and Development agreement with Austin Stadco LLC, doing business as Austin FC, for the construction of the Q2 Stadium. As a result of this agreement, the City recognizes, in other long-term assets in the governmental activities' column of the statement of net position, a receivable for the estimated carrying value of stadium capital assets at the end of the contract term and the discounted value of future installment payments due to the City in the amounts of \$104 million and \$4.3 million, respectively. In 2021, a related deferred inflow of \$108.3 million was recorded and the City recognized \$1.8 million as revenue.

The City will use an imputed interest rate of 5% to discount the future payments. As the transferor in this arrangement, the City retains ownership rights to assets associated with the Q2 stadium which will be operated by Austin Stadco LLC, as Austin FC, for a minimum term of 20 years with options to extend through 2071.

18 – SEGMENT INFORMATION – CONVENTION CENTER

The Convention Center provides event facilities and services to its customers. Below are the condensed financial statements for this segment (in thousands):

Condensed Statement of Net Position	
ASSETS	
Current assets	\$ 112,139
Advances to other funds	26
Capital assets	212,310
Other noncurrent assets	126,475
Total assets	450,950
Deferred outflows of resources	50,075
LIABILITIES	
Other current liabilities	25,373
Other noncurrent liabilities	225,129
Total liabilities	250,502
Deferred inflows of resources	7,798
NET POSITION	
Net investment in capital assets	113,846
Restricted	137,254
Unrestricted	(8,375)
Total net position	\$ 242,725

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
OPERATING REVENUES	
User fees and rentals	\$ 6,018
Total operating revenues	6,018
OPERATING EXPENSES	
Operating expenses before depreciation	53,022
Depreciation and amortization	8,566
Total operating expenses	61,588
Operating income (loss)	(55,570)
Nonoperating revenues (expenses)	(4,301)
Transfers	43,587
Change in net position	(16,284)
Beginning net position	259,009
Ending net position	\$ 242,725

Condensed Statement of Cash Flows	
Net cash provided (used) by:	
Operating activities	\$ (37,783)
Noncapital financing activities	43,587
Capital and related financing activities	(31,293)
Investing activities	291
Net increase (decrease) in cash and cash equivalents	(25,198)
Cash and cash equivalents, beginning	244,505
Cash and cash equivalents, ending	\$ 219,307

19 – RESTATEMENT

During fiscal year 2021, the City implemented a new accounting standard, GASB Statement No. 84, "Fiduciary Activities." This Statement establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this statement, certain funds previously classified as Private Purpose Trust funds have been reclassified and combined within the City's General Fund, Austin Energy, or Custodial funds. Additionally, several funds previously classified as Agency funds have been reclassified within the City's Special Revenue funds or Custodial funds. Amounts previously reported as liabilities within the remaining custodial funds have been reclassified as beginning net position. Any references to the term "Agency Fund" have been updated to "Custodial Fund". The format of the fiduciary fund financial statements has also been updated to comply with the new requirements of this statement. Net position and fund balances were restated at October 1, 2020.

The impact of these changes on the beginning balances reported in the financial statements is shown below (in thousands):

September 30, 2020	Government-wide	
	Governmental Activities	
Net position, as previously reported	\$ (600,610)	
Adjustments to properly record:		
Implementation of GASB Statement No. 84	7,011	
Net Position, as restated	\$ (593,599)	

September 30, 2020	Governmental Funds	
	General Fund	Nonmajor Governmental Funds
Fund balances, as previously reported	\$ 271,515	306,795
Adjustments to properly record:		
Implementation of GASB Statement No. 84	623	6,388
Fund balances, as restated	\$ 272,138	313,183

September 30, 2020	Fiduciary Funds	
	Private Purpose Trust	Custodial
Net position, as previously reported	\$ 4,781	--
Adjustments to properly record:		
Implementation of GASB Statement No. 84	(4,781)	2,032
Net Position, as restated	\$ --	2,032

The adjustments associated with the implementation of this standard were deferred in accordance with accounting for regulated operations for Austin Energy. The amount deferred is \$3.9 million; therefore, there was no restatement to net position in this fund.

20 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2021, the City issued \$153,685,000 of Public Improvement and Refunding Bonds, Series 2021. The net proceeds of \$81,895,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility (\$38,980,000), water quality protection (\$22,880,000), park improvements (\$16,995,000) and facility improvements (\$3,040,000). The net proceeds of the refunding portion of \$102,566,092 were used to refund \$62,090,000 Public Improvement Bonds, Series 2011A and \$39,290,000 Certificates of Obligation, Series 2011. Principal payments are due on September 1 of each year from 2022 to 2041. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2022. Total interest requirements for these bonds, at rates ranging from 4.0% to 5.0%, are \$54,806,195.

In October 2021, the City issued \$35,670,000 of Certificates of Obligation, Series 2021. The net proceeds of \$43,930,000 (after issue costs, discounts, and premiums) from this issue will be used for constructing and remodeling multiple Austin Fire Department facilities. Principal payments are due on September 1 of each year from 2022 to 2041. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2022. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are \$17,646,785.

In October 2021, the City issued \$27,110,000 of Public Property Finance Contractual Obligations, Series 2021. The net proceeds of \$31,930,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment. Principal payments are due on May 1 and November 1 of each year from 2022 to 2028. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2022. Total interest requirements for these obligations, at a rate of 5.0%, are \$5,634,117.

In October 2021, the City issued \$81,880,000 of Public Improvement and Refunding Taxable Bonds, Series 2021. The new money net proceeds of \$77,655,000 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. The net proceeds of the refunding portion of \$6,690,260 were used to refund \$6,550,000 Public Improvement Bonds, Taxable Series 2011B. Interest is payable March 1 and September 1 of each year from 2022 to 2041, commencing on March 1, 2022. Principal payments are due September 1 of each year from 2022 to 2041. Total interest requirements for this obligation, at rates ranging from 1.65% to 3.00% are \$18,720,046.

In October 2021, the City issued \$20,300,000 of Certificates of Obligation, Taxable Series 2021. The new money net proceeds of \$20,525,000 (after issue costs, discounts, and premiums) from the issuance were used for Waller Creek Tunnel and Waller Creek District. Interest is payable March 1 and September 1 of each year from 2022 to 2041, commencing on March 1, 2022. Principal payments are due September 1 of each year from 2022 to 2041. Total interest requirements for this obligation, at rates ranging from 1.00% to 4.0% are \$4,610,025.

b -- Water and Wastewater – System Revenue Refunding Bond Issue

In November 2021 the City issued \$216,380,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2021. The net proceeds of \$275,507,030 (after issue costs, premium and discounts) from the issuance were used to refund \$102,000,000 in tax-exempt commercial paper, and \$173,507,030 in separate lien revenue bonds, Series 2011. Principal payments are due November 15 of each year from 2024 to 2051. Interest is payable May 15 and November 15 of each year from 2022 to 2051. Total interest requirements for this obligation, at rates of 4.0% to 5.0%, are \$140,771,574.

c -- Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issue

In November 2021, the City issued \$18,000,000 of Water and Wastewater System Revenue Bonds, Series 2021C. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$16,893,269 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2022 to 2041. Interest payments are due May 15 and November 15 of each year from 2022 to 2041. Total interest requirements for the bonds are \$2,870,199, with interest rates ranging from 0.15% to 1.85%.

In November 2021, the City issued \$23,100,000 of Water and Wastewater System Revenue Bonds, Series 2021D. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$21,924,193 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2022 to 2051. Interest payments are due May 15 and November 15 of each year from 2022 to 2051. Total interest requirements for the bonds are \$250,982, with interest rates ranging from 0.00% to 0.19%.

In November 2021, the City issued \$30,000,000 of Water and Wastewater System Revenue Bonds, Series 2021E. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$28,391,138 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2022 to 2051. Interest payments are due May 15 and November 15 of each year from 2022 to 2051. Total interest requirements for the bonds are \$613,152, with interest rates ranging from 0.00% to 0.29%.

20 – SUBSEQUENT EVENTS, continued

d -- Water and Wastewater System Revenue Debt -- Revenue Bond In-Substance Defeasance

In December 2021, the City defeased \$17,310,000 of Separate Lien Revenue Refunding Bonds, Series 2011, \$35,815,000 of Separate Lien Revenue Refunding Bonds, Series 2012, \$9,190,000 of Separate Lien Revenue Refunding Bonds, Series 2013A, and \$11,350,000 of Separate Lien Revenue Refunding Bonds, Series 2017, with a \$76,832,078 cash payment. The funds were deposited in an irrevocable escrow account to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt.





**REQUIRED
SUPPLEMENTARY
INFORMATION**



General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
RSI

General Fund	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Taxes	\$ 860,698	100	860,798	809,105	809,105	51,693
Franchise fees	26,189	14	26,203	27,488	27,488	(1,285)
Fines, forfeitures and penalties	4,607	--	4,607	7,482	7,482	(2,875)
Licenses, permits and inspections	16,612	(26)	16,586	16,591	16,591	(5)
Charges for services/goods	57,278	(3,160)	54,118	63,594	63,594	(9,476)
Interest and other	17,246	(9,807)	7,439	8,313	8,313	(874)
Total revenues	982,630	(12,879)	969,751	932,573	932,573	37,178
EXPENDITURES						
General government						
Municipal Court	31,343	1,494	32,837	33,253	33,253	416
Public safety						
Emergency Communications	16,084	--	16,084	--	16,087	3
Emergency Medical Services	87,794	12,419	100,213	102,002	102,002	1,789
Fire	189,247	23,333	212,580	215,186	215,186	2,606
Forensic Science	11,908	--	11,908	--	11,908	--
Police	314,340	70,495	384,835	414,583	386,037	1,202
Public health						
Animal Services	12,725	2,568	15,293	16,047	16,047	754
Public Health	47,010	5,368	52,378	51,636	51,636	(742)
Social Services	40,499	10,859	51,358	51,379	51,379	21
Public recreation and culture						
Austin Public Library	44,680	10,248	54,928	58,868	58,868	3,940
Parks and Recreation	83,036	11,303	94,339	101,626	101,626	7,287
Urban growth management						
Housing and Planning	14,352	2,451	16,803	30,939	30,039	13,236
Other urban growth management	26,499	1,404	27,903	31,675	34,075	6,172
General city responsibilities (4)	219,727	(158,458)	61,269	10,912	29,712	(31,557)
Total expenditures	1,139,244	(6,516)	1,132,728	1,118,106	1,137,855	5,127
Excess (deficiency) of revenues over expenditures	(156,614)	(6,363)	(162,977)	(185,533)	(205,282)	42,305
OTHER FINANCING SOURCES (USES)						
Transfers in	186,441	201,983	388,424	387,143	353,039	35,385
Transfers out	(28,863)	(208,664)	(237,527)	(206,707)	(175,204)	(62,323)
Total other financing sources (uses)	157,578	(6,681)	150,897	180,436	177,835	(26,938)
Excess (deficiency) of revenues and other sources over expenditures and other uses	964	(13,044)	(12,080)	(5,097)	(27,447)	15,367
Fund balance at beginning of year, as restated	272,138	(51,488)	220,650	153,938	166,295	54,355
Fund balance at end of year	\$ 273,102	(64,532)	208,570	148,841	138,848	69,722

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers. Additionally, this column includes adjustments between public safety and general city responsibilities related to public safety salaries reimbursed by the CARES - Coronavirus Relief special revenue fund.

(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.

(3) Variance is actual-budget basis to final budget.

(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

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 seventeen separately budgeted funds in the City's legally adopted budget: the Budgetary General Fund (represented as the General Fund in the City's budget document) plus APD Decouple, APD Re-imagine Safety, Barton Springs Conservation, Budget Stabilization Reserve, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Housing and Planning Technology, Iconic Venue, Long Center Capital Improvements, Music Venue Assistance Program, Neighborhood Housing-Housing Trust, Pay for Success, Property Tax Reserve, and Seaholm Parking Garage Revenue. RSI reflects the budgetary comparison for the consolidated General Fund.

The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes interdepartmental charges (\$650,118).

b -- Budget Amendments

There were several budget amendments during fiscal year 2021:

- The Police Department expense budget, transfers in and transfers out decreased by \$27,994,537 for the creation of two new departments: Emergency Communications (\$16,085,640) and Forensic Science (\$11,908,897). In addition, the Police Department expense budget decreased and transfers out increased due to the Alarm Permitting Unit moving to the Development Services Fund (\$551,790). There was an additional decrease to transfers in and transfers out of \$17,309,632 due to the movement of support functions to the Support Services Fund.
- Other Urban Growth Management expenses and transfers in increased by \$2,400,000 due to the creation of the new Iconic Venue Fund.
- Neighborhood Housing-Housing Trust Fund transfers out increased \$13,250,000 and Housing and Planning expenses decreased by \$900,000 to support the Capital-Housing Trust Fund.
- General City Responsibilities expense budget increased by \$18,800,000 and transfers in increased by \$8,800,000 due to the following ongoing COVID-19 response activities:
 - \$15,000,000 for Save Austin's Vital Economic Sectors program to support COVID-19 emergency relief
 - \$1,500,000 to provide economic recovery support to local businesses impacted by COVID-19 and to support emergency food access
 - \$2,300,000 for business preservation

c -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP-basis and budget-basis reporting for the General Fund are the reporting of encumbrances and the reporting of certain transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Additionally, this year there are adjustments between public safety and general city responsibilities related to public safety salaries reimbursed by the CARES – Coronavirus Relief special revenue fund. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the activities comprising the General Fund are provided, as follows (in thousands):

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ 964
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(7,159)
Net compensated absences accrual	(940)
Outstanding encumbrances established in current year	(48,810)
Payments against prior year encumbrances	44,895
Other	<u>(1,030)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	<u>\$ (12,080)</u>

Required Supplementary Information
Retirement Plans- Trend Information
September 30, 2021
(In thousands)

Schedule of Changes in the City Employees' Fund Net Pension Liability and Related Ratios
Measurement Period Ended December 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Beginning total pension liability	\$ 2,909,918	3,094,056	3,391,796	3,591,376
Changes for the year:				
Service cost	89,235	93,506	107,111	107,767
Interest	222,710	236,844	251,684	266,257
Differences between expected and actual experience	33,911	13,414	19,914	22,755
Assumption changes	--	123,493	--	--
Benefit payments including refunds	(161,718)	(169,517)	(179,129)	(190,332)
Net change in total pension liability	<u>184,138</u>	<u>297,740</u>	<u>199,580</u>	<u>206,447</u>
Ending total pension liability	<u>3,094,056</u>	<u>3,391,796</u>	<u>3,591,376</u>	<u>3,797,823</u>
Beginning total plan fiduciary net position	<u>2,130,624</u>	<u>2,209,800</u>	<u>2,144,804</u>	<u>2,299,688</u>
Changes for the year:				
Employer contributions	93,331	100,485	104,273	110,846
Employee contributions	50,490	54,066	60,801	56,194
Pension plan net investment income (loss)	99,704	(47,608)	171,640	376,820
Benefits payments and refunds	(161,718)	(169,517)	(179,129)	(190,332)
Pension plan administrative expense	(2,631)	(2,422)	(2,701)	(2,778)
Net change in plan fiduciary net position	<u>79,176</u>	<u>(64,996)</u>	<u>154,884</u>	<u>350,750</u>
Ending total plan fiduciary net position	<u>2,209,800</u>	<u>2,144,804</u>	<u>2,299,688</u>	<u>2,650,438</u>
Beginning net pension liability	<u>779,294</u>	<u>884,256</u>	<u>1,246,992</u>	<u>1,291,688</u>
Ending net pension liability	<u>\$ 884,256</u>	<u>1,246,992</u>	<u>1,291,688</u>	<u>1,147,385</u>
Plan fiduciary net position as a percentage of the total pension liability	71.42%	63.24%	64.03%	69.79%
Covered Payroll	\$ 514,787	546,058	573,308	609,553
City's net pension liability as a percentage of covered payroll	171.77%	228.36%	225.30%	188.23%

Notes to the Schedule of Changes in the City Employees' Net Pension Liability and Related Ratios

- Until a full 10-year trend is compiled, this schedule will present only those years for which information is available.
- This fund had no significant changes of benefit terms in any of the years presented.
- The inflation assumption was decreased from 3.25% to 2.75% in 2015 and to 2.5% in 2019.
- The investment rate of return was decreased from 7.75% to 7.5% in 2015 and to 7% in 2019.
- The salary increase assumption was decreased from 4.5% to 4% in 2015 and to 3.5% in 2019.
- The new hire wage growth assumption was increased from 3.75% to 4% in 2015 and decreased to 3.5% in 2019.
- The tables for rates of retirement were adjusted in 2015 and again in 2019 to be more consistent with experience.
- Termination rate assumptions were revised in 2015 and again in 2019 to be more consistent with actual experience.
- Mortality rates were changed from RP-2000 to RP-2014 in 2015 and to PubG-2010 in 2019.

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning total pension liability	3,797,823	3,989,560	4,487,884
Changes for the year:			
Service cost	111,438	117,635	121,881
Interest	281,404	295,341	310,319
Differences between expected and actual experience	1,882	23,672	12,524
Assumption changes	--	279,897	--
Benefit payments including refunds	<u>(202,987)</u>	<u>(218,221)</u>	<u>(231,393)</u>
Net change in total pension liability	<u>191,737</u>	<u>498,324</u>	<u>213,331</u>
Ending total pension liability	<u><u>3,989,560</u></u>	<u><u>4,487,884</u></u>	<u><u>4,701,215</u></u>
Beginning total plan fiduciary net position	2,650,438	2,461,383	2,928,033
Changes for the year:			
Employer contributions	116,486	123,610	130,743
Employee contributions	58,713	63,626	71,470
Pension plan net investment income (loss)	(157,242)	503,853	307,289
Benefits payments and refunds	(202,987)	(218,221)	(231,393)
Pension plan administrative expense	<u>(4,025)</u>	<u>(6,218)</u>	<u>(6,596)</u>
Net change in plan fiduciary net position	<u>(189,055)</u>	<u>466,650</u>	<u>271,513</u>
Ending total plan fiduciary net position	<u><u>2,461,383</u></u>	<u><u>2,928,033</u></u>	<u><u>3,199,546</u></u>
Beginning net pension liability	<u>1,147,385</u>	<u>1,528,177</u>	<u>1,559,851</u>
Ending net pension liability	<u><u>1,528,177</u></u>	<u><u>1,559,851</u></u>	<u><u>1,501,669</u></u>
Plan fiduciary net position as a percentage of the total pension liability	61.70%	65.24%	68.06%
Covered Payroll	640,464	678,500	713,527
City's net pension liability as a percentage of covered payroll	238.60%	229.90%	210.46%

Required Supplementary Information
Retirement Plans- Trend Information
September 30, 2021
(In thousands)

Schedule of Changes in the Police Officers' Fund Net Pension Liability and Related Ratios
Measurement Period Ended December 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Beginning total pension liability	\$ 909,000	971,623	1,028,909	1,106,189
Changes for the year:				
Service cost	30,254	32,138	32,990	35,322
Interest	72,443	76,999	80,846	84,472
Benefit changes	(11,015)	(4,080)	--	--
Differences between expected and actual experience	--	(6,318)	7,455	17,241
Assumption changes	14,137	3,904	5,148	--
Contribution buy back	2,207	4,648	1,668	2,915
Benefit payments including refunds	(45,403)	(50,005)	(50,827)	(56,548)
Net change in total pension liability	<u>62,623</u>	<u>57,286</u>	<u>77,280</u>	<u>83,402</u>
Ending total pension liability	<u>971,623</u>	<u>1,028,909</u>	<u>1,106,189</u>	<u>1,189,591</u>
Beginning total plan fiduciary net position	595,110	638,019	644,174	686,020
Changes for the year:				
Employer contributions	32,400	33,239	33,814	35,141
Employee contributions	19,458	20,061	20,623	21,437
Contribution buy back	2,207	4,648	1,668	2,915
Pension plan net investment income (loss)	35,574	(322)	37,965	82,072
Benefits payments and refunds	(45,403)	(50,005)	(50,827)	(56,548)
Pension plan administrative expense	(1,327)	(1,466)	(1,397)	(1,562)
Net change in plan fiduciary net position	<u>42,909</u>	<u>6,155</u>	<u>41,846</u>	<u>83,455</u>
Ending total plan fiduciary net position	<u>638,019</u>	<u>644,174</u>	<u>686,020</u>	<u>769,475</u>
Beginning net pension liability	313,890	333,604	384,735	420,169
Ending net pension liability	<u>\$ 333,604</u>	<u>384,735</u>	<u>420,169</u>	<u>420,116</u>
Plan fiduciary net position as a percentage of the total pension liability	65.67%	62.61%	62.02%	64.68%
Covered Payroll	\$ 149,686	152,696	157,303	163,995
City's net pension liability as a percentage of covered payroll	222.87%	251.96%	267.11%	256.18%

Notes to the Schedule of Changes in the Police Officers' Net Pension Liability and Related Ratios

- Until a full 10-year trend is compiled, this schedule will present only those years for which information is available.
- This fund had no significant changes of benefit terms in any of the years presented.
- The investment return assumption was decreased annually from 2015 to 2018 from a high of 8% to the current 7.25%.
- The core inflation rate assumption was decreased from 3.25% to 3% in 2016 and to 2.5% in 2018.
- The discount rate decreased annually from 2015 to 2017 from 8% to 7.7% mirroring the investment rate of return. In 2018 and 2019 a blended discount rate was required resulting in rates of 4.7% and 4.1% respectively. As the result of legislative changes which increase future contribution rates, the discount rate was increased to 7.25% for 2020, again matching the investment rate of return.
- The general wage inflation rate assumption was decreased from 3.5% to 3.25% in 2016.
- In 2016 assumed rates of salary increase were amended at most service points, and in 2018 individual salary increase rates were modified to better reflect the current expectation for inflation and the current step schedule.
- The payroll growth assumption was increased from 3.5% to 4% in 2016 and decreased from 4% to 3% in 2018.
- An explicit administrative expense load of 0.9% of payroll was added to the normal cost in 2018.
- In 2018, mortality rate assumptions were changed to PubS-2010 fully generational mortality improvement using the ultimate mortality improvement rates in the MP tables. Previously RP2000 (fully generational using Scale AA) set back two years - sex distinct were used.
- In 2018, termination and retirement rates were modified to be more consistent with experience.

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning total pension liability	1,189,591	1,904,954	2,175,170
Changes for the year:			
Service cost	33,757	71,334	84,469
Interest	90,479	89,680	89,376
Benefit changes	--	--	--
Differences between expected and actual experience	(12,905)	(4,743)	10,320
Assumption changes	666,873	179,003	(740,167)
Contribution buy back	1,142	1,261	1,941
Benefit payments including refunds	(63,983)	(66,319)	(76,956)
Net change in total pension liability	<u>715,363</u>	<u>270,216</u>	<u>(631,017)</u>
Ending total pension liability	<u>1,904,954</u>	<u>2,175,170</u>	<u>1,544,153</u>
Beginning total plan fiduciary net position	769,475	718,520	857,839
Changes for the year:			
Employer contributions	35,244	35,993	36,577
Employee contributions	21,461	21,942	22,181
Contribution buy back	1,142	1,261	1,941
Pension plan net investment income (loss)	(43,398)	148,163	98,573
Benefits payments and refunds	(63,983)	(66,319)	(76,956)
Pension plan administrative expense	(1,421)	(1,721)	(1,929)
Net change in plan fiduciary net position	<u>(50,955)</u>	<u>139,319</u>	<u>80,387</u>
Ending total plan fiduciary net position	<u>718,520</u>	<u>857,839</u>	<u>938,226</u>
Beginning net pension liability	<u>420,116</u>	<u>1,186,434</u>	<u>1,317,331</u>
Ending net pension liability	<u>1,186,434</u>	<u>1,317,331</u>	<u>605,927</u>
Plan fiduciary net position as a percentage of the total pension liability	37.72%	39.44%	60.76%
Covered Payroll	164,112	167,835	169,308
City's net pension liability as a percentage of covered payroll	722.94%	784.90%	357.88%

Required Supplementary Information
Retirement Plans- Trend Information
September 30, 2021
(In thousands)

Schedule of Changes in the Fire Fighters' Fund Net Pension Liability and Related Ratios
Measurement Period Ended December 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Beginning total pension liability	\$ 806,282	861,468	913,618	977,723
Changes for the year:				
Service cost	25,319	23,309	24,323	23,830
Interest	62,977	66,405	70,893	75,812
Benefit changes	--	--	5,491	8,964
Differences between expected and actual experience	--	7,193	8,893	4,360
Assumption changes	4,883	--	--	--
Benefit payments including refunds	(37,993)	(44,757)	(45,495)	(51,888)
Net change in total pension liability	<u>55,186</u>	<u>52,150</u>	<u>64,105</u>	<u>61,078</u>
Ending total pension liability	<u>861,468</u>	<u>913,618</u>	<u>977,723</u>	<u>1,038,801</u>
Beginning total plan fiduciary net position	<u>752,622</u>	<u>789,433</u>	<u>785,211</u>	<u>829,610</u>
Changes for the year:				
Employer contributions	18,670	19,222	19,104	19,242
Employee contributions	14,660	15,547	15,884	16,319
Pension plan net investment income (loss)	42,005	6,328	55,569	141,915
Benefits payments and refunds	(37,993)	(44,757)	(45,496)	(51,888)
Pension plan administrative expense	(531)	(562)	(662)	(1,400)
Net change in plan fiduciary net position	<u>36,811</u>	<u>(4,222)</u>	<u>44,399</u>	<u>124,188</u>
Ending total plan fiduciary net position	<u>789,433</u>	<u>785,211</u>	<u>829,610</u>	<u>953,798</u>
Beginning net pension liability	<u>53,660</u>	<u>72,035</u>	<u>128,407</u>	<u>148,113</u>
Ending net pension liability	<u>\$ 72,035</u>	<u>128,407</u>	<u>148,113</u>	<u>85,003</u>
Plan fiduciary net position as a percentage of the total pension liability	91.64%	85.95%	84.85%	91.82%
Covered Payroll	\$ 84,589	83,979	86,632	87,266
City's net pension liability as a percentage of covered payroll	85.16%	152.90%	170.97%	97.41%

Notes to the Schedule of Changes in the Fire Fighters' Net Pension Liability and Related Ratios

- Until a full 10-year trend is compiled, this schedule will present only those years for which information is available.
- Changes of benefit terms in the form of cost-of-living adjustments were granted on January 1st of each of the following years in the following amounts: 2015 - 1.3%; 2017 - 1.5%; 2018 - 2.2%; 2019 - 2.3%; 2020 - 1.7%; 2021 - 1.4%.
- The inflation assumption was decreased from 3.5% to 2.75% in 2018 and to 2.5% in 2019.
- The investment rate of return was decreased from 7.7% to 7.5% in 2019 and from 7.5% to 7.3% in 2020.
- The payroll growth rate was increased from 2% to 2.5% in 2020.
- Since 2018 the PubS-2010 mortality tables were used with mortality improvement project using the MP-2018 tables in 2018, the MP-2019 tables in 2019, and the MP-2020 tables in 2020. Prior to that the RP-2000 (Fully Generational using Scale AA) tables were used.
- Assumptions related to salary increases, retirement rates, retro-drop elections, withdrawal rates and disability rates were all adjusted in 2019 to be more consistent with experience.

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning total pension liability	1,038,801	1,093,179	1,156,025
Changes for the year:			
Service cost	25,131	26,192	26,170
Interest	80,552	84,547	86,821
Benefit changes	10,188	8,059	7,159
Differences between expected and actual experience	(735)	(9,835)	(1,671)
Assumption changes	(4,779)	12,707	21,411
Benefit payments including refunds	(55,979)	(58,824)	(63,484)
Net change in total pension liability	<u>54,378</u>	<u>62,846</u>	<u>76,406</u>
Ending total pension liability	<u>1,093,179</u>	<u>1,156,025</u>	<u>1,232,431</u>
Beginning total plan fiduciary net position	953,798	909,118	1,029,893
Changes for the year:			
Employer contributions	20,085	21,058	21,311
Employee contributions	17,033	17,858	18,073
Pension plan net investment income (loss)	(25,114)	141,535	157,323
Benefits payments and refunds	(55,979)	(58,824)	(63,484)
Pension plan administrative expense	(705)	(852)	(1,092)
Net change in plan fiduciary net position	<u>(44,680)</u>	<u>120,775</u>	<u>132,131</u>
Ending total plan fiduciary net position	<u>909,118</u>	<u>1,029,893</u>	<u>1,162,024</u>
Beginning net pension liability	<u>85,003</u>	<u>184,061</u>	<u>126,132</u>
Ending net pension liability	<u>184,061</u>	<u>126,132</u>	<u>70,407</u>
Plan fiduciary net position as a percentage of the total pension liability	83.16%	89.09%	94.29%
Covered Payroll	91,087	95,499	96,649
City's net pension liability as a percentage of covered payroll	202.07%	132.08%	72.85%

RETIREMENT PLANS-TREND INFORMATION, continued

Information pertaining to City contributions to the retirement systems is shown in the following two tables (in thousands). An actuarially determined contribution was calculated for the City Employees' fund but was not calculated for the other two funds.

Schedule of Actuarially Determined City Contributions to the City Employees' Fund
(in thousands)

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
	\$	\$	\$	\$	
2015	96,554	97,655	(1,101)	540,110	18.08%
2016	109,725	102,609	7,116	566,227	18.12%
2017	119,038	108,929	10,109	600,726	18.13%
2018	123,058	114,149	8,909	630,631	18.10%
2019	129,910	120,795	9,115	667,256	18.10%
2020	149,110	127,990	21,120	706,471	18.12%
2021	156,682	137,068	19,614	727,280	18.85%

Notes to Schedule of Actuarially Determined City Contributions to the City Employees' Fund

Valuation Date	
Date	<ul style="list-style-type: none"> December 31 of each calendar year occurring during the fiscal year.
Notes	<ul style="list-style-type: none"> Members and employers contribute based on statutorily fixed or negotiated rates. A funding period is solved for through open group projections.
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	<ul style="list-style-type: none"> Entry Age Normal (all years)
Asset Valuation Method	<ul style="list-style-type: none"> 2017 forward - Expected actuarial value plus 20% recognition of prior years' differences between expected and actual investment income 2016 and 2015 - 20% of market plus 80% of expected actuarial value
Inflation	<ul style="list-style-type: none"> 2.5% for 2020 and 2021, 2.75% for 2016 through 2019, 3.25% for 2015
Salary Increases	<ul style="list-style-type: none"> 3.5% to 5.75% for 2020 and 2021, 4% to 6.25% for 2016 through 2019, 4.5% to 6% for 2015
Investment Rate of Return	<ul style="list-style-type: none"> 7% for 2020 and 2021, 7.5% for 2016 through 2019, 7.75% for 2015
Retirement Age	<ul style="list-style-type: none"> Experience-based table of rates that are gender specific. 2020 and 2021 - Last updated for December 31, 2019 valuation pursuant to an experience study of the period ending December 31, 2018 2016 - 2019 - Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015. 2015 - Last updated for December 31, 2012 valuation pursuant to an experience study of the 5-year period ending December 31, 2011.
Mortality	<ul style="list-style-type: none"> 2020 and 2021 - PubG-2010 Healthy Retiree Mortality Table (for General employees) for males and females with full generational projection assuming immediate convergence of rates in the mortality projection scale MP- 2018, 2D for male and female. 2016 through 2019 - RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014. For 2015 RP-2000 Mortality Table with White Collar adjustment and multipliers of 110% for males and 120% for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.
Other Information	
Notes	<ul style="list-style-type: none"> There were no benefit changes during the periods displayed. City contributions increased from 18% to 19% as of January 1, 2021.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Statutorily Required City Contributions to the Police Officers' Fund and the Fire Fighters' Fund
 (in thousands)

Fiscal Year Ended September 30	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll (1)
	\$	\$	\$	\$	
Police Officers					
2015	32,942	32,942	--	152,229	21.64%
2016	33,141	33,141	--	155,476	21.32%
2017	34,717	34,717	--	162,891	21.31%
2018	34,944	34,944	--	163,956	21.31%
2019	35,603	35,617	(14)	167,048	21.32%
2020	36,261	36,268	(7)	170,135	21.32%
2021	35,617	35,619	(2)	163,856	21.74%
Fire Fighters					
2015	18,327	18,327	--	83,118	22.05%
2016	19,145	19,145	--	86,826	22.05%
2017	19,104	19,104	--	86,642	22.05%
2018	19,809	19,809	--	89,834	22.05%
2019	20,890	20,890	--	94,740	22.05%
2020	21,141	21,141	--	95,877	22.05%
2021	21,851	21,851	--	99,099	22.05%

(1) Statutorily required contribution for Police Officers decreased from 21.63% in 2015 to 21.313% in 2016 and increased to 21.737% in 2021.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

The other postemployment benefits plan information for the City's plan provided below represents four years of trend information. Additional years will be added each year until ten years of trend data is available. Changes in other postemployment benefits liability for the other postemployment benefits plan for each of the four years ended December 31, 2017 through 2020 (measurement periods) are presented below:

Schedule of Changes in the City of Austin OPEB Liability and Related Ratios (in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning total OPEB liability	<u>\$ 2,055,627</u>	<u>2,524,897</u>	<u>2,395,447</u>	<u>3,504,494</u>
Changes for the year:				
Service cost	86,687	108,478	88,486	167,027
Interest	80,132	89,675	100,978	99,915
Benefit changes	--	231	(3,829)	--
Differences between expected and actual experience	64,227	--	12,335	(6,103)
Assumption changes	283,099	(274,758)	953,202	631,360
Benefit payments	(44,875)	(53,076)	(42,125)	(50,326)
Net change in total OPEB liability	<u>469,270</u>	<u>(129,450)</u>	<u>1,109,047</u>	<u>841,873</u>
Ending total OPEB liability	<u>\$ 2,524,897</u>	<u>2,395,447</u>	<u>3,504,494</u>	<u>4,346,367</u>
Covered-employee payroll	\$ 968,403	1,000,536	1,051,771	1,103,927
City's total OPEB liability as a percentage of covered-employee payroll	260.73%	239.42%	333.20%	393.72%

Allocation of City funds to pay postemployment benefits other than pensions 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 does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB statement No. 75. For the years ended December 31, 2018 and 2019 there were changes to benefit terms that affected the measurement of the total OPEB liability. There were no significant changes in benefit terms for year ended December 31, 2020. For all years presented there were assumption changes.

The OPEB plan benefit term changes included:

- Increasing the maximum value of the Health Reimbursement Account (HRA) for retirees in the Consumer Driven Health Plan (CDHP) from \$500 to \$1,000 for individuals and \$1,000 to \$1,500 for families effective January 1, 2019, and decreasing the maximum value of the HRA for retirees in the CDHP from \$1,000 to \$500 for individuals and from \$1,500 to \$1,000 for families effective January 1, 2020.
- Switching health benefit providers from United Healthcare to BlueCross BlueShield effective January 1, 2019. However, the plan of benefits was unchanged and plan costs were not projected to change materially as a result of this change.
- The fully insured Cigna dental PPO option was replaced with the self-insured BlueCross BlueShield BlueCare dental PPO, effective January 1, 2021. Retiree contribution rates for both the prior fully-insured option and the new self-insured option are expected to cover the full cost of the benefits, thus the net OPEB liability associated with dental benefits remain \$0 after the plan change.

The OPEB plan assumption changes included:

- Adjusting the discount rate based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date as follows: 2017 - 3.44% (decreased from 3.78%), 2018 - 4.1%, 2019 - 2.74%, and 2020 - 2.12%.
- Updating medical and prescription drug claim costs each year to reflect the most recent experience.
- Modifying medical and prescriptions drug trend rates in 2017 by splitting the single category from the previous valuation into three categories, grading these categories for different periods, and lowering the ultimate trend rate from 5% to 4.5%; and in 2019 by adjusting 2020 assumed trend rates from 6.5% to 7% for pre-65 and 5.5% to 6% for post-65 and trending rates down at 0.25% rather than 0.5% annually.
- Updating third-party administrator and vendor administrative expenses to reflect the most recent contracts and assumed trends on such costs, (currently \$437 per covered individual).
- Adjusting retiree enrollment and plan election assumptions in 2019 to be more consistent with actual experience, and
- Adjusting demographic assumptions each year to mirror changes in the pension plan demographic assumptions for the previous plan year. See Required Supplementary Information, Retirement Plans-Trend Information for additional information on these changes.



**COMBINING AND INDIVIDUAL
FUND FINANCIAL
STATEMENTS AND
SCHEDULES**



GENERAL FUND

**General Fund
Schedule of Revenues - Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit E-1**

	Actual	Adjustments (1)	Actual- Budget Basis	Budget	Variance- Positive (Negative)
Taxes					
Property taxes:					
Current	\$ 564,406	100	564,506	547,858	16,648
Delinquent	139	--	139	100	39
Penalty and interest	2,496	--	2,496	2,000	496
Property taxes	<u>567,041</u>	<u>100</u>	<u>567,141</u>	<u>549,958</u>	<u>17,183</u>
Sales taxes	281,784	--	281,784	245,241	36,543
Other taxes	11,873	--	11,873	13,906	(2,033)
Total taxes	<u>860,698</u>	<u>100</u>	<u>860,798</u>	<u>809,105</u>	<u>51,693</u>
Franchise fees	26,189	14	26,203	27,488	(1,285)
Fines, forfeitures, and penalties					
Library fines	141	--	141	163	(22)
Traffic fines	1,933	--	1,933	3,476	(1,543)
Parking violations	1,907	--	1,907	2,428	(521)
Other	626	--	626	1,415	(789)
Total fines, forfeitures, and penalties	<u>4,607</u>	<u>--</u>	<u>4,607</u>	<u>7,482</u>	<u>(2,875)</u>
Licenses, permits, and inspections					
Alarm permits	4,414	--	4,414	4,208	206
Public health	4,724	--	4,724	3,049	1,675
Development	4,385	(24)	4,361	6,773	(2,412)
Building safety	1,531	(2)	1,529	786	743
Beer and wine permits	579	--	579	579	--
Other	979	--	979	1,196	(217)
Total licenses, permits, and inspections	<u>16,612</u>	<u>(26)</u>	<u>16,586</u>	<u>16,591</u>	<u>(5)</u>
Charges for services/goods					
Recreation and culture	4,439	1	4,440	9,626	(5,186)
Public health	9,656	(3,422)	6,234	7,344	(1,110)
Emergency medical services	36,972	(1)	36,971	38,253	(1,282)
General government	6,211	262	6,473	8,371	(1,898)
Total charges for services/goods	<u>57,278</u>	<u>(3,160)</u>	<u>54,118</u>	<u>63,594</u>	<u>(9,476)</u>
Interest and other					
Interest	1,043	(1)	1,042	3,200	(2,158)
Rental income	636	(2)	634	1,459	(825)
Sale of property	2,261	--	2,261	1,772	489
Other	13,306	(9,804)	3,502	1,882	1,620
Total interest and other	<u>17,246</u>	<u>(9,807)</u>	<u>7,439</u>	<u>8,313</u>	<u>(874)</u>
Total revenues	<u>\$ 982,630</u>	<u>(12,879)</u>	<u>969,751</u>	<u>932,573</u>	<u>37,178</u>

(1) Adjustments and actual-budget basis include amounts budgeted as fund-level revenues.

General Fund
Schedule of Expenditures - Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-2

	Actual	Adjustments (1)	Actual- Budget Basis	Budget	Variance- Positive (Negative)
General government					
Municipal Court:					
Salaries and fringe benefits	\$ 15,876	(58)	15,818	16,267	449
Contractual services	15,463	1,517	16,980	17,118	138
Commodities	266	68	334	163	(171)
Expense refunds	(295)	--	(295)	(295)	--
Capital outlay	33	(33)	--	--	--
Total general government	31,343	1,494	32,837	33,253	416
Public safety					
Emergency Communications:					
Contractual services	16,084	--	16,084	16,087	3
	16,084	--	16,084	16,087	3
Emergency Medical Services:					
Salaries and fringe benefits	74,936	(339)	74,597	75,459	862
Contractual services	7,950	13,073	21,023	22,532	1,509
Commodities	5,299	(448)	4,851	4,224	(627)
Expense refunds	(1,209)	--	(1,209)	(1,370)	(161)
Capital outlay	818	133	951	1,157	206
	87,794	12,419	100,213	102,002	1,789
Fire:					
Salaries and fringe benefits	182,701	(919)	181,782	181,536	(246)
Contractual services	12,509	24,097	36,606	38,026	1,420
Commodities	4,728	132	4,860	4,711	(149)
Indirect cost	811	--	811	693	(118)
Expense refunds	(11,597)	--	(11,597)	(9,907)	1,690
Capital outlay	95	23	118	127	9
	189,247	23,333	212,580	215,186	2,606
Forensic Science:					
Contractual services	11,908	--	11,908	11,908	--
	11,908	--	11,908	11,908	--
Police:					
Salaries and fringe benefits	328,934	(270)	328,664	320,207	(8,457)
Contractual services	114,560	70,671	185,231	190,845	5,614
Commodities	3,478	(258)	3,220	5,146	1,926
Expense refunds	(132,681)	(137)	(132,818)	(130,734)	2,084
Capital outlay	49	489	538	573	35
	314,340	70,495	384,835	386,037	1,202
Total public safety	619,373	106,247	725,620	731,220	5,600
Public health					
Animal Services:					
Salaries and fringe benefits	8,483	(44)	8,439	9,009	570
Contractual services	3,510	2,450	5,960	5,789	(171)
Commodities	1,019	79	1,098	1,332	234
Expense refunds	(287)	--	(287)	(166)	121
Capital outlay	--	83	83	83	--
	12,725	2,568	15,293	16,047	754
Public Health:					
Salaries and fringe benefits	40,761	(2,389)	38,372	31,451	(6,921)
Contractual services	51,020	(2,611)	48,409	19,997	(28,412)
Commodities	13,424	(3,870)	9,554	1,322	(8,232)
Expense refunds	(58,228)	14,127	(44,101)	(1,134)	42,967
Capital outlay	33	111	144	--	(144)
	\$ 47,010	5,368	52,378	51,636	(742)

(Continued)

(1) Includes adjustments for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers or fund-level expenditures.

General Fund
Schedule of Expenditures - Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-2

(Continued)

	Actual	Adjustments (1)	Actual- Budget Basis	Budget	Variance- Positive (Negative)
Public health, continued					
Social Services:					
Contractual services	\$ 42,351	10,873	53,224	52,445	(779)
Commodities	18	(14)	4	--	(4)
Expense refunds	(1,870)	--	(1,870)	(1,066)	804
	<u>40,499</u>	<u>10,859</u>	<u>51,358</u>	<u>51,379</u>	<u>21</u>
Total public health	<u>100,234</u>	<u>18,795</u>	<u>119,029</u>	<u>119,062</u>	<u>33</u>
Public recreation and culture					
Austin Public Library:					
Salaries and fringe benefits	33,439	(36)	33,403	36,138	2,735
Contractual services	8,336	9,428	17,764	18,140	376
Commodities	2,967	713	3,680	4,711	1,031
Expense refunds	(119)	--	(119)	(221)	(102)
Capital outlay	57	143	200	100	(100)
	<u>44,680</u>	<u>10,248</u>	<u>54,928</u>	<u>58,868</u>	<u>3,940</u>
Parks and Recreation:					
Salaries and fringe benefits	61,849	(198)	61,651	69,101	7,450
Contractual services	19,954	11,205	31,159	32,756	1,597
Commodities	5,541	298	5,839	4,609	(1,230)
Indirect cost	532	--	532	316	(216)
Expense refunds	(5,180)	22	(5,158)	(5,401)	(243)
Capital outlay	340	(24)	316	245	(71)
	<u>83,036</u>	<u>11,303</u>	<u>94,339</u>	<u>101,626</u>	<u>7,287</u>
Total public recreation and culture	<u>127,716</u>	<u>21,551</u>	<u>149,267</u>	<u>160,494</u>	<u>11,227</u>
Urban growth management					
Housing and Planning:					
Salaries and fringe benefits	13,168	40	13,208	14,178	970
Contractual services	4,453	2,407	6,860	20,871	14,011
Commodities	56	4	60	312	252
Expense refunds	(3,325)	--	(3,325)	(5,322)	(1,997)
	<u>14,352</u>	<u>2,451</u>	<u>16,803</u>	<u>30,039</u>	<u>13,236</u>
Other Urban Growth Management:					
Salaries and fringe benefits	8,224	(23)	8,201	8,293	92
Contractual services	19,410	1,378	20,788	26,838	6,050
Commodities	299	49	348	409	61
Expense refunds	(1,434)	--	(1,434)	(1,465)	(31)
	<u>26,499</u>	<u>1,404</u>	<u>27,903</u>	<u>34,075</u>	<u>6,172</u>
Total urban growth management	<u>40,851</u>	<u>3,855</u>	<u>44,706</u>	<u>64,114</u>	<u>19,408</u>
General city responsibilities (2)	<u>219,727</u>	<u>(158,458)</u>	<u>61,269</u>	<u>29,712</u>	<u>(31,557)</u>
Total expenditures	<u>1,139,244</u>	<u>(6,516)</u>	<u>1,132,728</u>	<u>1,137,855</u>	<u>5,127</u>
General fund expenditures					
Salaries	768,371	(4,236)	764,135	761,639	(2,496)
Contractuals	327,508	144,488	471,996	473,352	1,356
Commodities	37,095	(3,247)	33,848	26,939	(6,909)
Indirect cost	1,343	--	1,343	1,009	(334)
Expense refunds	(216,225)	14,012	(202,213)	(157,081)	45,132
Capital outlay	1,425	925	2,350	2,285	(65)
General city responsibilities	219,727	(158,458)	61,269	29,712	(31,557)
Total expenditures	<u>\$ 1,139,244</u>	<u>(6,516)</u>	<u>1,132,728</u>	<u>1,137,855</u>	<u>5,127</u>

- (1) Includes adjustments for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers or fund-level expenditures.
- (2) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

General Fund
Schedule of Transfers - Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-3

	Actual	Adjustments (1)	Actual- Budget Basis	Budget	Variance- Positive (Negative)
Transfers in					
General Fund:					
Budgetary General Fund	\$ --	104,859	104,859	104,816	43
Budget Stabilization Reserve	--	91,236	91,236	57,987	33,249
Community Development Incentives	--	38	38	25	13
Economic Development	--	1,318	1,318	1,318	--
Property Tax Reserve	--	4,500	4,500	4,500	--
Special revenue funds:					
Project Connect	1,263	--	1,263	--	1,263
Capital Projects	7,285	--	7,285	6,500	785
Enterprise funds:					
Austin Energy	122,367	--	122,367	122,367	--
Austin Resource Recovery	555	--	555	555	--
Austin Water	50,271	--	50,271	50,271	--
Convention Center Capital	2,400	--	2,400	2,400	--
Mobility	2,300	--	2,300	2,300	--
Fiduciary funds	--	32	32	--	32
Total transfers in	186,441	201,983	388,424	353,039	35,385
Transfers out					
General Fund:					
APD Decouple	--	31,478	31,478	31,478	--
APD Re-imagine Safety	--	44,852	44,852	44,852	--
Barton Springs Conservation	--	53	53	53	--
Budget Stabilization Reserve	--	55,236	55,236	7,326	(47,910)
Economic Development	--	7,809	7,809	7,809	--
Economic Incentives Reserve	--	10,257	10,257	11,121	864
Emergency Reserve	--	43,543	43,543	31,987	(11,556)
Long Center Capital Improvements	--	300	300	300	--
Neighborhood Housing-Housing Trust	--	7,713	7,713	7,713	--
Special revenue funds:					
Austin Cable Access	475	--	475	475	--
East Sixth Street Public Improvement District	35	--	35	35	--
Mueller Local Government Corporation	986	--	986	986	--
Second Street Tax Increment Financing	--	100	100	100	--
South Congress Public Improvement District	3	--	3	3	--
Debt service funds:					
General Obligation	576	--	576	576	--
Capital Projects	15,870	7,323	23,193	20,768	(2,425)
Enterprise funds:					
Development Services	9,035	--	9,035	7,739	(1,296)
Golf	1,000	--	1,000	1,000	--
Transportation	883	--	883	883	--
Total transfers out	28,863	208,664	237,527	175,204	(62,323)
Net transfers	\$ 157,578	(6,681)	150,897	177,835	(26,938)

(1) Includes adjustments to actual transfers required for adjusted budget basis presentation.



**NONMAJOR
GOVERNMENTAL
FUNDS**

**Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit E-4**

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Total
ASSETS					
Cash	\$ --	1	--	--	1
Pooled investments and cash	280,482	2,766	82,878	1,070	367,196
Investments - restricted	--	30,488	--	--	30,488
Cash held by trustee - restricted	6,269	--	--	--	6,269
Investments held by trustee - restricted	9,038	--	--	--	9,038
Property taxes receivable, net of allowance	--	2,507	--	--	2,507
Accounts receivable, net of allowance	31,422	--	3,108	--	34,530
Interest receivable	154	46	159	--	359
Receivables from other governments	27,804	--	6	--	27,810
Notes receivable, net of allowance	41,935	--	--	--	41,935
Due from other funds	15,336	5	113,100	--	128,441
Advances to other funds	--	266	69,910	--	70,176
Real property held for resale	4,177	--	--	--	4,177
Other assets	1,784	--	--	--	1,784
Total assets	418,401	36,079	269,161	1,070	724,711
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	15,117	2	24,401	--	39,520
Accrued payroll	948	--	--	--	948
Due to other funds	15,336	--	113,100	--	128,436
Unearned revenue	95,949	--	--	--	95,949
Advances from other funds	--	111	69,910	--	70,021
Deposits and other liabilities	98,087	113	423	--	98,623
Total liabilities	225,437	226	207,834	--	433,497
DEFERRED INFLOWS OF RESOURCES					
	2,708	2,236	--	--	4,944
FUND BALANCES					
Nonspendable:					
Permanent funds	--	--	--	1,070	1,070
Restricted	131,364	33,617	135,051	--	300,032
Committed	59,131	--	--	--	59,131
Assigned	981	--	126,639	--	127,620
Unassigned	(1,220)	--	(200,363)	--	(201,583)
Total fund balances	190,256	33,617	61,327	1,070	286,270
Total liabilities, deferred inflows of resources, and fund balances	\$ 418,401	36,079	269,161	1,070	724,711

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-5

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Total
REVENUES					
Property taxes	\$ 177,217	198,111	--	--	375,328
Franchise fees and other taxes	82,023	--	--	--	82,023
Fines, forfeitures and penalties	921	--	--	--	921
Licenses, permits and inspections	3,453	--	--	--	3,453
Charges for services/goods	21,692	--	--	--	21,692
Intergovernmental	181,502	--	5,009	--	186,511
Property owners' participation and contributions	1,602	--	35,390	--	36,992
Interest and other	5,867	3,011	14,060	--	22,938
Total revenues	474,277	201,122	54,459	--	729,858
EXPENDITURES					
Current:					
General government	773	--	--	--	773
Public safety	21,012	--	--	--	21,012
Transportation, planning, and sustainability	152,070	--	--	--	152,070
Public health	76,519	--	--	--	76,519
Public recreation and culture	2,389	--	--	--	2,389
Urban growth management	230,654	--	--	--	230,654
Debt service:					
Principal	2,945	147,880	--	--	150,825
Interest	1,639	66,071	--	--	67,710
Fees and commissions	--	33	--	--	33
Capital outlay	--	--	255,277	--	255,277
Total expenditures	488,001	213,984	255,277	--	957,262
Excess (deficiency) of revenues over (under) expenditures	(13,724)	(12,862)	(200,818)	--	(227,404)
OTHER FINANCING SOURCES (USES)					
Issuance of tax supported debt	--	1,125	179,241	--	180,366
Issuance of refunding bonds	--	78,949	--	--	78,949
Bond premiums	--	14,468	36,077	--	50,545
Payment to refunding bond escrow agent	--	(93,417)	--	--	(93,417)
Transfers in	117,809	14,069	43,525	--	175,403
Transfers out	(96,696)	--	(94,659)	--	(191,355)
Total other financing sources (uses)	21,113	15,194	164,184	--	200,491
Net change in fund balances	7,389	2,332	(36,634)	--	(26,913)
Fund balances at beginning of year, as restated	182,867	31,285	97,961	1,070	313,183
Fund balances at end of year	\$ 190,256	33,617	61,327	1,070	286,270



SPECIAL REVENUE FUNDS

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City reports the following nonmajor special revenue funds:

FEDERAL, STATE AND OTHER SPECIAL REVENUE GRANTS

These represent grants awarded to the City from various federal, state and other sources. This category includes operational and capital grant activities. Grants awarded to enterprise operations are consolidated with enterprise reporting and are reported in the supplemental schedules.

OTHER SPECIAL REVENUE FUNDS

General Government

Municipal Court:

Municipal Court Building Security Fund - Accounts for revenue derived from security fees, and is used for courthouse security personnel, equipment, and training.

Municipal Court Juvenile Case Manager Fund - Accounts for the collection of fees through fines. Funds are used for juvenile case manager salaries and benefits, supplies, and services.

Municipal Court Local Consolidated Court Fund - Accounts for court fees collected that must be used to enhance and maintain court security, technology, juvenile diversion, and jury reimbursement.

Municipal Court Technology Fund - Accounts for revenue derived from technology fees collected that must be used for technological enhancements of Municipal Court.

Other General Government:

Campaign Financing Fund - Accounts for and reports donations and fees for the Austin Fair Campaign Ordinance.

Public Safety

Police:

ARIC Sustainability Fund - Accounts for revenue from contributions from the Austin Regional Intelligence Center (ARIC) partner agencies via an Interlocal Agreement with those agencies. These funds are used to sustain operation of the ARIC.

Auto Theft Interdiction Fund - Accounts for funds forfeited related to current auto theft investigations and is used to support these activities.

Police Benefit Fund - Accounts for donations received for the benefit and improvement of the Police Department.

Police Federal Dept. of Justice Asset Forfeiture Fund - Accounts for all Dept. of Justice federal forfeited funds generated by police enforcement activities. Funds must be used to increase law enforcement resources.

Police Federal Dept. of Treasury Asset Forfeiture Fund - Accounts for all Dept. of Treasury federal forfeited funds generated by police enforcement activities. Funds must be used to increase law enforcement resources.

Police State Contraband Asset Forfeiture Fund - Accounts for all State forfeited funds generated by police enforcement activities. Funds must be used to increase law enforcement resources.

Police State Gambling Asset Forfeiture Fund - Accounts for proceeds from the sale of property forfeited through the courts for illegal gambling operations. Funds must be used to increase law enforcement resources.

Fire:

Fire Miscellaneous Fund - Accounts for contributions from various business, individual or charitable organizations for "The Firehouse", a public safety awareness exhibit, which is transported to different sites throughout Austin. Some of these funds are used to purchase fire alarms (smoke alarms) for the public or households without smoke alarms.

Transportation, Planning, and Sustainability

Public Works and Transportation:

Child Safety Fund - Accounts for certain fines and fees collected that are used to provide school crossing guards at schools in the City.

Project Connect Fund - Accounts for the collection of property tax revenue dedicated to Austin Transit Partnership Local Government Corporation (ATP). Revenue for this fund is generated from a dedicated portion of the City's property tax rate and disbursements to ATP are made in accordance with the terms of the interlocal agreement.

Public Health

Health and Human Services:

CARES - Coronavirus Relief Fund - Accounts for federal relief monies received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Coronavirus State & Local Recovery Fund - Accounts for federal monies received as part of the American Rescue Plan Act. Funding will provide relief services and assistance to address the needs created by this public health emergency.

Health Miscellaneous Fund - Accounts for contributions and activities for Strategic Intervention for High-Risk Youth.

Other Public Health:

Animal Services Fund - Accounts for donations to fund animal services activities.

Public Recreation and Culture

Austin Public Library:

Austin History Center Fund - Accounts for contributions from the Austin History Center Association, which includes book sales, donations, and royalties which are used for the Austin-Travis County Collection.

Friends of Austin Public Library Fund - Accounts for proceeds of book sales. Funds can be used for one-time purchases when General Funds are not available.

Library Facilities Maintenance and Improvements Fund - Accounts for revenue generating operations at the Central Library. These proceeds are used for library and parking facility improvements and maintenance.

Special Library Fund - Accounts for donations received to purchase books or special equipment.

Parks and Recreation:

PARD Parking Fund - Accounts for revenue collected at Parks and Recreation sites that charge parking fees or entry fees. Parking fees are restricted to use on projects that would improve or benefit parking on or rehabilitation of park facilities.

Urban Growth Management

Housing and Planning:

Homestead Preservation Reinvestment Tax Increment Fund - Accounts for property tax revenue that is collected in the City of Austin reinvestment zone. Funds are used to increase home ownership for low- and moderate-income families.

Housing Loan Fund - Accounts for affordable housing loan activity.

Neighborhood Revitalization Fund - Accounts for and reports escrow deposits and payments to loan recipients.

UNO Housing Trust Fund - Accounts for revenue that is collected from participating developments in the UNO area. Provides affordable housing for low- income and moderate-income families in that area.

Urban Renewal Agency Fund - Accounts for the agency responsible for overseeing the implementation and compliance of urban renewal plans. (blended component unit)

OTHER SPECIAL REVENUE FUNDS, continued

Urban Growth Management, continued

Development Services and Watershed Protection:

Austin Industrial Development Corporation (AIDC) - Accounts for the administrative costs related to the Corporation. (blended component unit)

Austin Lake Hills Water Quality Fund - Accounts for developer funding to design and construct water quality controls for specific lots located in the Austin Lake Hills subdivision.

Barton Springs Zone Mitigation Fund - Accounts for the Barton Springs zone mitigation fee. Funds are used to purchase property within the Barton Springs Zone.

Fiscal Surety - Land Development Fund - Escrow funds received from contractors for improvements for environmental, health, safety controls, and public infrastructure.

Planting for the Future Fund - Accounts for donations received for the purchase, planting, education, and preservation of trees.

Riparian Zone Mitigation Fund - Accounts for the fees paid by developers to restore riparian health or provide mitigation if on-site restoration is infeasible in the Critical Water Quality Zone.

Urban Forest Replenishment Fund - Provides funding for tree planting and maintenance, promotion of tree care and preservation, and urban forest conservation.

Water Supply Mitigation Fund - Accounts for funds received from properties located in a water supply rural or water supply suburban watershed.

Other Urban Growth Management:

Austin Cable Access Fund - Accounts for payments from cable companies and disbursements for operations of the City's public access channels.

City Hall Fund - Accounts for revenue and operating expenditures related to City Hall's retail leases and underground parking garage.

City Hall Retail Tenant Improvement Fund - Accounts for revenue and deposits related to retail space in City Hall.

Cultural Arts Fund - Records activities for cultural project purposes. Funded by a portion of the hotel-motel occupancy tax.

Downtown Public Improvement District Fund - Accounts for the activities related to the Downtown public improvement district.

East Sixth Street Public Improvement District Fund - Accounts for the activities related to the E Sixth Street public improvement district.

Estancia Hill Country Public Improvement District Fund - Accounts for the Estancia Hill Country public improvement district, which issued bonds to finance the construction, ownership, and maintenance of certain improvements.

Historic Preservation Fund - Accounts for eligible historic restoration and preservation projects and activities. Funded by a portion of the hotel-motel occupancy tax.

Hotel-Motel Occupancy Tax Fund - Accounts for hotel-motel occupancy tax revenues and transfer of these revenues to participating funds.

I-35 Parking Program Fund - Accounts for activity related to the two parking lots located under the I-35 overpass.

Indian Hills Public Improvement District Fund - Accounts for the Indian Hills public improvement district which issued bonds to finance the construction, ownership, and maintenance of certain improvements.

Live Music Fund - Accounts for local music initiatives for the encouragement, promotion, improvement, and application of the arts. Funded by a portion of the hotel-motel occupancy tax.

Mueller Development Fund - Established to account for the Mueller Master Development Agreement with Catellus Corporation. Funds collected are used by the City to cover the costs of oversight of the redevelopment project.

Mueller Local Government Corporation – Uses revenue collected by the Mueller Tax Increment Financing (TIF) Reinvestment Zone No. 16 for debt service and associated costs for bonds issued to finance the redevelopment of the former site of Robert Mueller Municipal Airport. (blended component unit)

Mueller Tax Increment Financing Fund - Accounts for property tax revenue that is collected in the Mueller Tax Increment Financing Reinvestment Zone No. 16

One Texas Center Fund - Accounts for revenue, operating expenses, and debt service requirements for One Texas Center, a City-owned office tower located on Barton Springs Road.

Permitting and Development Center Fund - Accounts for the revenue, operating expenses, and debt service requirements for the Permitting and Development Center, a City-owned office building.

Public Arts Fund - Provides for preservation and conservation of the City of Austin public art collection.

Rainey Street Historic District Fund - Accounts for activities related to the assistance in the rehabilitation of the existing single-family structures that are relocated outside of the Rainey Street District.

Rutherford Lane Facility Fund - Accounts for the revenue, expenditures and debt service requirements associated with the Rutherford Lane facilities.

Seaholm Tax Increment Financing Fund - Accounts for property tax revenue that is collected in the Seaholm Tax Increment Financing Reinvestment Zone No. 18 to finance the construction of public improvements for the Seaholm Redevelopment Project.

Second Street Tax Increment Financing Fund - Accounts for property tax revenue that is collected and used in maintaining the plazas, streetscapes and other public improvements installed on specific downtown blocks in the vicinity of City Hall.

Section 108 Family Business Loan Fund - Accounts for the public-private partnership loan program funded by HUD Section 108 loan guarantee.

South Congress Public Improvement District Fund – Accounts for the activities related to the South Congress public improvement district.

Tourism and Promotion Fund - Accounts for the promotion of tourism in Austin as both a leisure and business destination. Funded by a portion of the hotel-motel occupancy tax.

Vehicle Rental Tax Fund - Accounts for the levy of the short-term motor vehicle rental tax of 5%. Funds are used to pay debt service and operating expenses for the Palmer Event Center and garage facilities.

Waller Creek Reserve Fund - Accounts for the revenue received from the Waller Creek Tax Increment Fund and the Build America Bond proceeds which are utilized to fund the Waller Creek tunnel project.

Waller Creek Tax Increment Financing Fund - Accounts for property tax revenue that is collected in the Waller Creek Tax Increment Financing Reinvestment Zone No. 17.

Whisper Valley Public Improvement District Fund - Accounts for the Whisper Valley public improvement district, which issued bonds to finance the construction, ownership, and maintenance of certain improvements.

Wildland Conservation Fund - Accounts for the City's activities pertaining to the management of the Balcones Canyonlands Preserve. The primary funding source is participation certificates awarded to landowners in the preserve to make improvements necessary to comply with the Endangered Species Act (ESA).

AUSTIN HOUSING FINANCE CORPORATION (AHFC)

Accounts for the activities of the Austin Housing Finance Corporation. (blended component unit)

**Special Revenue Funds
Combining Balance Sheet
September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit E-6**

	Federal, State, and Other Special Revenue Grants	Other Special Revenue Funds	Austin Housing Finance Corporation	Total
ASSETS				
Pooled investments and cash	\$ 9,352	263,265	7,865	280,482
Cash held by trustee - restricted	146	6,123	--	6,269
Investments held by trustee - restricted	--	9,038	--	9,038
Accounts receivable, net of allowance	--	31,422	--	31,422
Interest receivable	--	148	6	154
Receivables from other governments	27,696	--	108	27,804
Notes receivable, net of allowance	--	2,868	39,067	41,935
Due from other funds	--	15,336	--	15,336
Real property held for resale	--	678	3,499	4,177
Other assets	596	1,188	--	1,784
Total assets	37,790	330,066	50,545	418,401
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	10,463	1,956	2,698	15,117
Accrued payroll	767	181	--	948
Due to other funds	14,405	931	--	15,336
Unearned revenue	9,136	86,813	--	95,949
Deposits and other liabilities	3,019	80,840	14,228	98,087
Total liabilities	37,790	170,721	16,926	225,437
DEFERRED INFLOWS OF RESOURCES	--	2,708	--	2,708
FUND BALANCES				
Restricted	--	97,745	33,619	131,364
Committed	--	59,131	--	59,131
Assigned	--	981	--	981
Unassigned	--	(1,220)	--	(1,220)
Total fund balances	--	156,637	33,619	190,256
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,790	330,066	50,545	418,401

Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-7

	Federal, State, and Other Special Revenue Grants	Other Special Revenue Funds	Austin Housing Finance Corporation	Total
REVENUES				
Property taxes	\$ --	177,217	--	177,217
Franchise fees and other taxes	--	82,023	--	82,023
Fines, forfeitures, and penalties	--	921	--	921
Licenses, permits and inspections	--	3,453	--	3,453
Charges for services/goods	--	21,692	--	21,692
Intergovernmental	133,405	41,269	6,828	181,502
Property owners' participation and contributions	--	1,602	--	1,602
Interest and other	--	5,859	8	5,867
Total revenues	133,405	334,036	6,836	474,277
EXPENDITURES				
Current:				
General government	209	564	--	773
Public safety	20,694	318	--	21,012
Transportation, planning, and sustainability	485	151,585	--	152,070
Public health	34,565	41,954	--	76,519
Public recreation and culture	1,725	664	--	2,389
Urban growth management	75,727	34,438	120,489	230,654
Debt service:				
Principal	--	2,945	--	2,945
Interest	--	1,639	--	1,639
Total expenditures	133,405	234,107	120,489	488,001
Excess (deficiency) of revenues over (under) expenditures	--	99,929	(113,653)	(13,724)
OTHER FINANCING SOURCES (USES)				
Transfers in	--	30,502	87,307	117,809
Transfers out	--	(92,499)	(4,197)	(96,696)
Total other financing sources (uses)	--	(61,997)	83,110	21,113
Net change in fund balances	--	37,932	(30,543)	7,389
Fund balances at beginning of year, as restated	--	118,705	64,162	182,867
Fund balances at end of year	\$ --	156,637	33,619	190,256

Special Revenue Funds
Combining Balance Sheet - All Special Revenue Grants
September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-8

	Assets					Liabilities and Fund Balances							
	Receivables					Deposits and				Total			
	Pooled	Cash Held	from	Other	Total	Accounts	Accrued	Due to	Unearned	Other	Total	Fund	and Fund
Investments by Trustee, and Cash	Restricted	Governments	Assets	Assets	Payable	Payroll	Funds	Revenue	Liabilities	Liabilities	Balances	Balances	
Federal grants													
Corporation for National and Community Services	\$ --	--	8	--	8	--	--	8	--	--	8	--	8
Equal Employment Opportunity Commission	--	--	293	30	323	--	--	139	--	184	323	--	323
Institute of Museum and Library Services	--	--	--	--	--	--	--	--	--	--	--	--	--
National Endowment for the Arts	20	--	99	--	119	--	--	99	20	--	119	--	119
National Science Foundation	4	--	--	--	4	--	--	--	--	4	4	--	4
U.S. Department of Agriculture	175	--	1,439	--	1,614	16	224	1,199	--	175	1,614	--	1,614
U.S. Department of Commerce	--	--	--	--	--	--	--	--	--	--	--	--	--
U.S. Department of Health & Human Services	39	--	3,258	11	3,308	731	318	1,766	51	442	3,308	--	3,308
U.S. Department of Homeland Security	6,782	--	1,381	44	8,207	14	12	903	7,145	133	8,207	--	8,207
U.S. Department of Housing and Urban Development	1,599	146	5,012	118	6,875	1,395	60	3,644	196	1,580	6,875	--	6,875
U.S. Department of Interior	--	--	13	--	13	--	--	13	--	--	13	--	13
U.S. Department of Justice	--	--	966	296	1,262	179	96	953	--	34	1,262	--	1,262
U.S. Department of Labor	--	--	10	--	10	--	--	10	--	--	10	--	10
U.S. Department of State	81	--	1	--	82	21	--	--	--	61	82	--	82
U.S. Department of Transportation	17	--	767	--	784	--	3	764	17	--	784	--	784
U.S. Department of Treasury	--	--	12,227	--	12,227	8,024	--	4,203	--	--	12,227	--	12,227
Total federal grants	8,717	146	25,474	499	34,836	10,380	713	13,701	7,429	2,613	34,836	--	34,836
State grants													
Texas Commission of Environmental Quality	--	--	--	97	97	--	--	--	--	97	97	--	97
Texas Department of Housing and Community Affairs	--	--	279	--	279	80	--	199	--	--	279	--	279
Texas Department of Motor Vehicles	--	--	242	--	242	1	7	234	--	--	242	--	242
Texas Department of State Health Services	--	--	356	--	356	2	47	269	--	38	356	--	356
Texas Governor's Office Criminal Justice Division	22	--	--	--	22	--	--	--	--	22	22	--	22
Texas Historical Commission	--	--	2	--	2	--	--	2	--	--	2	--	2
Texas Parks and Wildlife Department	152	--	--	--	152	--	--	--	--	152	152	--	152
Total state grants	174	--	879	97	1,150	83	54	704	--	309	1,150	--	1,150
Other special revenue grants	461	--	1,343	--	1,804	--	--	--	1,707	97	1,804	--	1,804
Total all grants	\$ 9,352	146	27,696	596	37,790	10,463	767	14,405	9,136	3,019	37,790	--	37,790

Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Special Revenue Grants
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-9

	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess</u> <u>(Deficiency)</u>	<u>Fund Balances</u>	<u>Fund Balances</u>
	<u>Inter-</u>	<u>Special</u>	<u>Of Revenues</u>	<u>at Beginning</u>	<u>at End</u>
	<u>governmental</u>	<u>Projects</u>	<u>Over (Under)</u>	<u>of Year</u>	<u>of Year</u>
			<u>Expenditures</u>		
Federal grants					
Corporation for National and Community Services	\$ 21	21	--	--	--
Equal Employment Opportunity Commission	30	30	--	--	--
Institute of Museum and Library Services	50	50	--	--	--
National Endowment for the Arts	--	--	--	--	--
National Science Foundation	--	--	--	--	--
U.S. Department of Agriculture	6,735	6,735	--	--	--
U.S. Department of Commerce	33	33	--	--	--
U.S. Department of Health & Human Services	16,384	16,384	--	--	--
U.S. Department of Homeland Security	15,925	15,925	--	--	--
U.S. Department of Housing and Urban Development	21,120	21,120	--	--	--
U.S. Department of Interior	263	263	--	--	--
U.S. Department of Justice	3,533	3,533	--	--	--
U.S. Department of Labor	--	--	--	--	--
U.S. Department of State	208	208	--	--	--
U.S. Department of Transportation	1,312	1,312	--	--	--
U.S. Department of Treasury	63,288	63,288	--	--	--
Total federal grants	<u>128,902</u>	<u>128,902</u>	<u>--</u>	<u>--</u>	<u>--</u>
State grants					
Texas Commission on Environmental Quality	--	--	--	--	--
Texas Department of Housing and Community Affairs	659	659	--	--	--
Texas Department of Motor Vehicles	399	399	--	--	--
Texas Department of State Health Services	1,947	1,947	--	--	--
Texas Governor's Office Criminal Justice Division	--	--	--	--	--
Texas Historical Commission	--	--	--	--	--
Texas Parks and Wildlife Department	952	952	--	--	--
Total state grants	<u>3,957</u>	<u>3,957</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other special revenue grants	<u>546</u>	<u>546</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total all grants	<u>\$ 133,405</u>	<u>133,405</u>	<u>--</u>	<u>--</u>	<u>--</u>

**Special Revenue Funds
Combining Schedule of Expenditures - All Special Revenue Grants
From Inception to September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit E-10**

	Total Expenditures at Beginning of Year			Current Year		Total Expenditures at End of Year			Budget		
	In-Kind			In-Kind		In-Kind			In-Kind		
	Grant	Match	Total	Grant	Match	Grant	Match	Total	Grant	Match	Total
Federal grants											
Corporation for National and Community Services	\$ 62	43	105	21	18	83	61	144	100	80	180
Equal Employment Opportunity Commission	1,393	--	1,393	30	--	1,423	--	1,423	1,538	--	1,538
Institute of Museum and Library Services	279	33	312	50	--	329	33	362	341	33	374
National Endowment for the Arts	193	94	287	--	--	193	94	287	202	108	310
National Science Foundation	174	18	192	--	--	174	18	192	175	20	195
U.S. Department of Agriculture	78,478	5	78,483	6,735	--	85,213	5	85,218	90,384	5	90,389
U.S. Department of Commerce	815	35	850	33	--	848	35	883	849	35	884
U.S. Department of Health & Human Services	196,121	1,713	197,834	16,384	181	212,505	1,894	214,399	258,368	2,186	260,554
U.S. Department of Homeland Security	61,927	4,541	66,468	15,925	335	77,852	4,876	82,728	99,178	7,119	106,297
U.S. Department of Housing and Urban Development	347,118	7,060	354,178	21,120	528	368,238	7,588	375,826	405,690	8,176	413,866
U.S. Department of Interior	777	472	1,249	263	126	1,040	598	1,638	1,707	1,228	2,935
U.S. Department of Justice	42,152	6,812	48,964	3,533	213	45,685	7,025	52,710	53,400	7,739	61,139
U.S. Department of Labor	68	--	68	--	--	68	--	68	82	--	82
U.S. Department of State	816	--	816	208	--	1,024	--	1,024	1,351	166	1,517
U.S. Department of Transportation	60,722	16,630	77,352	1,312	389	62,034	17,019	79,053	93,050	25,374	118,424
U.S. Department of Treasury	--	--	--	63,288	--	63,288	--	63,288	72,249	--	72,249
Total federal grants	791,095	37,456	828,551	128,902	1,790	919,997	39,246	959,243	1,078,664	52,269	1,130,933
State grants											
Texas Commission on Environmental Quality	7,768	5,539	13,307	--	--	7,768	5,539	13,307	8,026	5,577	13,603
Texas Department of Housing and Community Affairs	6,605	192	6,797	659	--	7,264	192	7,456	8,032	192	8,224
Texas Department of Motor Vehicles	4,933	1,821	6,754	399	162	5,332	1,983	7,315	5,835	2,174	8,009
Texas Department of State Health Services	10,985	1,047	12,032	1,947	97	12,932	1,144	14,076	14,150	1,236	15,386
Texas Governor's Office Criminal Justice Division	1,492	344	1,836	--	--	1,492	344	1,836	1,501	345	1,846
Texas Historical Commission	--	--	--	--	--	--	--	--	11	8	19
Texas Parks and Wildlife Department	3,677	3,683	7,360	952	952	4,629	4,635	9,264	5,709	5,789	11,498
Total state grants	35,460	12,626	48,086	3,957	1,211	39,417	13,837	53,254	43,264	15,321	58,585
Other special revenue grants	5,517	113	5,630	546	64	6,063	177	6,240	7,122	549	7,671
Total all grants	\$ 832,072	50,195	882,267	133,405	3,065	965,477	53,260	1,018,737	1,129,050	68,139	1,197,189

Special Revenue Funds - Other
Combining Balance Sheet
September 30, 2021
(In thousands)

	Assets								
	Pooled Investments and Cash	Cash Held by Trustee, Restricted	Investments Held by Trustee, Restricted	Net Accounts Receivable	Net Notes Receivable	Due from Other Funds	Real Property Held for Resale	Other Assets	Total Assets
General government									
<i>Municipal Court:</i>									
Municipal Court Building Security	\$ 71	--	--	--	--	--	--	--	71
Municipal Court Juvenile Case Manager	327	--	--	--	--	--	--	--	327
Municipal Court Local Consolidated Court	307	--	--	--	--	--	--	--	307
Municipal Court Technology	257	--	--	--	--	--	--	18	275
Total Municipal Court	<u>962</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>18</u>	<u>980</u>
<i>Other general government:</i>									
Campaign Financing Fund (1)	21	--	--	--	--	--	--	--	21
Total other general government	<u>21</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>21</u>
Total general government	<u>983</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>18</u>	<u>1,001</u>
Public safety									
<i>Police:</i>									
ARIC Sustainability	2,354	--	--	--	--	--	--	2	2,356
Auto Theft Interdiction	60	--	--	--	--	--	--	--	60
Police Benefit	308	--	--	--	--	--	--	--	308
Police Federal Dept. of Justice Asset Forfeiture	2,280	--	--	--	--	--	--	2	2,282
Police Federal Dept. of Treasury Asset Forfeiture	3,530	--	--	--	--	--	--	3	3,533
Police State Contraband Asset Forfeiture	3,595	--	--	--	--	--	--	3	3,598
Police State Gambling Asset Forfeiture	653	--	--	--	--	--	--	1	654
Total Police	<u>12,780</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11</u>	<u>12,791</u>
<i>Fire:</i>									
Fire Miscellaneous	58	--	--	--	--	--	--	--	58
Total Fire	<u>58</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>58</u>
Total public safety	<u>12,838</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11</u>	<u>12,849</u>
Transportation, planning, and sustainability									
<i>Public Works and Transportation:</i>									
Child Safety	374	--	--	--	--	--	--	--	374
Project Connect	351	--	--	--	--	--	--	2	353
Total Public Works and Transportation	<u>725</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2</u>	<u>727</u>
Total transportation, planning, and sustainability	<u>725</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2</u>	<u>727</u>
Public health									
<i>Health & Human Services:</i>									
CARES - Coronavirus Relief	--	--	--	--	--	--	--	--	--
Coronavirus State & Local Recovery	85,887	--	--	--	--	931	--	--	86,818
Health Miscellaneous	163	--	--	--	--	--	--	--	163
Total Health & Human Services	<u>86,050</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>931</u>	<u>--</u>	<u>--</u>	<u>86,981</u>
<i>Other public health:</i>									
Animal Services	488	--	--	--	--	--	--	--	488
Total other public health	<u>488</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>488</u>
Total public health	<u>\$ 86,538</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>931</u>	<u>--</u>	<u>--</u>	<u>87,469</u>

(1) Previously reported as a Fiduciary fund.

City of Austin, Texas
Exhibit E-11

Liabilities							Fund Balances					Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Accounts Payable	Accrued Payroll	Due to Other Funds	Unearned Revenue	Deposits and Other Liabilities	Total Liabilities	Deferred Inflows of Resources	Restr- icted	Com- mitted	Assi- gned	Unass- igned	Total Fund Balances	
--	--	--	--	--	--	--	71	--	--	--	71	71
1	20	--	--	--	21	--	306	--	--	--	306	327
--	--	--	--	--	--	--	307	--	--	--	307	307
--	--	--	--	--	--	--	275	--	--	--	275	275
1	20	--	--	--	21	--	959	--	--	--	959	980
--	--	--	--	--	--	--	21	--	--	--	21	21
--	--	--	--	--	--	--	21	--	--	--	21	21
1	20	--	--	--	21	--	980	--	--	--	980	1,001
3	--	--	--	--	3	--	2,353	--	--	--	2,353	2,356
--	--	--	--	--	--	--	60	--	--	--	60	60
8	--	--	--	--	8	--	300	--	--	--	300	308
--	--	--	--	--	--	--	2,282	--	--	--	2,282	2,282
--	--	--	--	--	--	--	3,533	--	--	--	3,533	3,533
--	--	--	--	--	--	--	3,598	--	--	--	3,598	3,598
--	--	--	--	--	--	--	654	--	--	--	654	654
11	--	--	--	--	11	--	12,780	--	--	--	12,780	12,791
--	--	--	--	--	--	--	58	--	--	--	58	58
--	--	--	--	--	--	--	58	--	--	--	58	58
11	--	--	--	--	11	--	12,838	--	--	--	12,838	12,849
3	154	--	--	--	157	--	217	--	--	--	217	374
295	--	--	--	60	355	--	--	--	--	(2)	(2)	353
298	154	--	--	60	512	--	217	--	--	(2)	215	727
298	154	--	--	60	512	--	217	--	--	(2)	215	727
--	--	--	--	--	--	--	--	--	--	--	--	--
5	--	--	86,813	--	86,818	--	--	--	--	--	--	86,818
--	--	--	--	108	108	--	55	--	--	--	55	163
5	--	--	86,813	108	86,926	--	55	--	--	--	55	86,981
--	--	--	--	60	60	--	428	--	--	--	428	488
--	--	--	--	60	60	--	428	--	--	--	428	488
5	--	--	86,813	168	86,986	--	483	--	--	--	483	87,469

(Continued)

Special Revenue Funds - Other
Combining Balance Sheet
September 30, 2021
(In thousands)

Assets									
	Pooled	Cash	Investments	Net	Net	Due from	Real	Other	Total
	Investments	Held by	Held by	Accounts	Notes	Other	Property	Assets	Assets
	and Cash	Trustee,	Trustee,	Receivable	Receivable	Funds	Held for	Assets	Assets
		Restricted	Restricted				Resale		
Public recreation and culture									
<i>Austin Public Library:</i>									
Austin History Center	\$ 125	--	--	--	--	--	--	--	125
Friends of Austin Public Library	566	--	--	--	--	--	--	--	566
Library Facilities Maintenance and Improvements	2,520	--	--	1	--	--	--	--	2,521
Special Library	1,609	--	--	--	--	--	--	--	1,609
Total Austin Public Library	4,820	--	--	1	--	--	--	--	4,821
<i>Parks and Recreation:</i>									
PARC Parking	476	--	--	2	--	--	--	--	478
Total Parks and Recreation	476	--	--	2	--	--	--	--	478
Total public recreation and culture	5,296	--	--	3	--	--	--	--	5,299
Urban growth management									
<i>Housing & Planning:</i>									
Homestead Preservation									
Reinvestment Tax Increment	7,195	--	--	--	--	--	--	--	7,195
Housing Loan	--	--	--	--	2,868	--	--	--	2,868
Neighborhood Revitalization (1)	236	--	--	--	--	--	--	--	236
UNO Housing Trust	1,579	--	--	--	--	--	--	1	1,580
Urban Renewal Agency	--	--	--	--	--	--	678	--	678
Total Housing & Planning	9,010	--	--	--	2,868	--	678	1	12,557
<i>Development Services & Watershed Protection:</i>									
Austin Industrial Development Corporation (AIDC)	--	--	--	--	--	--	--	--	--
Austin Lake Hills Water Quality	101	--	--	--	--	--	--	--	101
Barton Springs Zone Mitigation	68	--	--	--	--	--	--	--	68
Fiscal Surety-Land Development	60,901	--	--	--	--	14,405	--	61	75,367
Planting for the Future	354	--	--	--	--	--	--	--	354
Riparian Zone Mitigation	729	--	--	--	--	--	--	1	730
Urban Forest Replenishment	5,171	--	--	--	--	--	--	4	5,175
Water Supply Mitigation	8	--	--	--	--	--	--	--	8
Total Development Services & Watershed Protection	\$ 67,332	--	--	--	--	14,405	--	66	81,803

(1) Previously reported as a Fiduciary fund.

City of Austin, Texas
Exhibit E-11

(Continued)

Liabilities						Fund Balances					Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Accounts Payable	Accrued Payroll	Due to Other Funds	Unearned Revenue	Deposits and Other Liabilities	Total Liabilities	Deferred Inflows of Resources	Restr- icted	Com- mitted	Assi- gned	Unass- igned		Total Fund Balances
--	--	--	--	--	--	--	125	--	--	--	125	125
--	--	--	--	--	--	--	566	--	--	--	566	566
--	--	--	--	85	85	--	2,436	--	--	--	2,436	2,521
--	--	--	--	--	--	--	1,609	--	--	--	1,609	1,609
--	--	--	--	85	85	--	4,736	--	--	--	4,736	4,821
--	--	--	--	--	--	--	478	--	--	--	478	478
--	--	--	--	--	--	--	478	--	--	--	478	478
--	--	--	--	85	85	--	5,214	--	--	--	5,214	5,299
--	--	--	--	--	--	--	7,195	--	--	--	7,195	7,195
--	--	--	--	--	--	--	2,868	--	--	--	2,868	2,868
--	--	--	--	255	255	--	--	--	--	(19)	(19)	236
--	--	--	--	--	--	--	978	--	602	--	1,580	1,580
--	--	--	--	--	--	--	--	678	--	--	678	678
--	--	--	--	255	255	--	11,041	678	602	(19)	12,302	12,557
--	--	--	--	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	101	--	--	101	101
--	--	--	--	--	--	--	--	42	26	--	68	68
325	--	--	--	74,959	75,284	--	83	--	--	--	83	75,367
--	--	--	--	--	--	--	353	--	1	--	354	354
--	--	--	--	--	--	--	--	686	44	--	730	730
35	--	--	--	--	35	--	--	4,886	254	--	5,140	5,175
--	--	--	--	--	--	--	--	8	--	--	8	8
360	--	--	--	74,959	75,319	--	436	5,723	325	--	6,484	81,803

(Continued)

Special Revenue Funds - Other
Combining Balance Sheet
September 30, 2021
(In thousands)

Assets									
	Pooled	Cash	Investments	Net	Net	Due from	Real	Other	Total
	Investments	Held by	Held by	Accounts	Notes	Other	Property	Assets	Assets
	and Cash	Trustee,	Trustee,	Receivable	Receivable	Funds	Held for	Assets	Assets
		Restricted	Restricted				Resale		
<i>Other urban growth management (1):</i>									
Austin Cable Access	\$ 10,195	--	--	--	--	--	--	153	10,348
City Hall	116	--	--	--	--	--	--	4	120
City Hall Retail Tenant Improvement	--	--	--	--	--	--	--	--	--
Cultural Arts	--	--	--	--	--	--	--	--	--
Downtown Public Improvement District	5,696	--	--	113	--	--	--	5	5,814
East Sixth Street Public Improvement District	76	--	--	--	--	--	--	--	76
Estancia Hill Country Public Improvement District	191	--	6,015	4	--	--	--	--	6,210
Historic Preservation	10,880	--	--	--	--	--	--	25	10,905
Hotel-Motel Occupancy Tax	35	--	--	25,727	--	--	--	--	25,762
I-35 Parking Program	152	--	--	--	--	--	--	--	152
Indian Hills Public Improvement District	187	--	494	--	--	--	--	--	681
Live Music	3,244	--	--	--	--	--	--	2	3,246
Mueller Development	110	--	--	2,708	--	--	--	--	2,818
Mueller Local Government Corporation	18,228	963	--	--	--	--	--	7	19,198
Mueller Tax Increment Financing	--	--	--	--	--	--	--	7	7
One Texas Center	--	--	--	--	--	--	--	--	--
Permitting & Development Center	--	--	--	--	--	--	--	--	--
Public Arts	13	--	--	--	--	--	--	--	13
Rainey Street Historic District	506	--	--	--	--	--	--	--	506
Rutherford Lane Facility	1,210	--	--	--	--	--	--	1	1,211
Seaholm Tax Increment Financing	204	--	--	--	--	--	--	1	205
Second Street Tax Increment Financing	158	--	--	--	--	--	--	--	158
Section 108 Family Business Loan	1,228	5,160	--	--	--	--	--	1,007	7,395
South Congress Public Improvement District	133	--	--	12	--	--	--	--	145
Tourism and Promotion	472	--	--	--	--	--	--	--	472
Vehicle Rental Tax	--	--	--	2,855	--	--	--	3	2,858
Waller Creek Reserve	25,908	--	--	--	--	--	--	12	25,920
Waller Creek Tax Increment Financing	--	--	--	--	--	--	--	9	9
Whisper Valley Public Improvement District	791	--	2,529	--	--	--	--	1	3,321
Wildland Conservation	810	--	--	--	--	--	--	1	811
Total other urban growth management	80,543	6,123	9,038	31,419	--	--	--	1,238	128,361
Total urban growth management	156,885	6,123	9,038	31,419	2,868	14,405	678	1,305	222,721
Total	\$ 263,265	6,123	9,038	31,422	2,868	15,336	678	1,336	330,066

(1) Neighborhood Housing & Conservation and Affordable Housing are now reported as Capital Projects funds.

City of Austin, Texas
Exhibit E-11

(Continued)

Liabilities						Fund Balances					Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Accounts Payable	Accrued Payroll	Due to Other Funds	Unearned Revenue	Deposits and Other Liabilities	Total Liabilities	Deferred Inflows of Resources	Restr- icted	Com- mitted	Assi- gned	Unass- igned		Total Fund Balances
298	--	--	--	--	298	--	10,050	--	--	--	10,050	10,348
89	--	--	--	--	89	--	--	31	--	--	31	120
--	--	--	--	--	--	--	--	--	--	--	--	--
309	--	890	--	--	1,199	--	--	--	--	(1,199)	(1,199)	--
52	--	--	--	--	52	--	5,762	--	--	--	5,762	5,814
--	--	--	--	--	--	--	76	--	--	--	76	76
4	--	--	--	27	31	--	6,179	--	--	--	6,179	6,210
262	--	--	--	--	262	--	10,643	--	--	--	10,643	10,905
--	--	--	--	35	35	--	25,727	--	--	--	25,727	25,762
--	--	--	--	--	--	--	98	--	54	--	152	152
2	--	--	--	--	2	--	679	--	--	--	679	681
4	--	--	--	--	4	--	--	3,242	--	--	3,242	3,246
--	--	--	--	7	7	2,708	--	103	--	--	103	2,818
--	--	--	--	--	--	--	--	19,198	--	--	19,198	19,198
--	--	7	--	--	7	--	--	--	--	--	--	7
--	--	--	--	--	--	--	--	--	--	--	--	--
--	--	--	--	2	2	--	--	11	--	--	11	13
--	--	--	--	--	--	--	506	--	--	--	506	506
110	--	--	--	--	110	--	--	1,101	--	--	1,101	1,211
--	--	--	--	--	--	--	205	--	--	--	205	205
--	--	--	--	--	--	--	158	--	--	--	158	158
11	--	--	--	5,160	5,171	--	--	2,224	--	--	2,224	7,395
--	--	--	--	--	--	--	145	--	--	--	145	145
129	--	--	--	--	129	--	241	102	--	--	343	472
--	--	25	--	--	25	--	2,833	--	--	--	2,833	2,858
--	--	--	--	--	--	--	--	25,920	--	--	25,920	25,920
--	--	9	--	--	9	--	--	--	--	--	--	9
5	--	--	--	82	87	--	3,234	--	--	--	3,234	3,321
6	7	--	--	--	13	--	--	798	--	--	798	811
1,281	7	931	--	5,313	7,532	2,708	66,536	52,730	54	(1,199)	118,121	128,361
1,641	7	931	--	80,527	83,106	2,708	78,013	59,131	981	(1,218)	136,907	222,721
1,956	181	931	86,813	80,840	170,721	2,708	97,745	59,131	981	(1,220)	156,637	330,066

Special Revenue Funds - Other
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

	Revenues								Total Revenues
	Property Taxes	Gross Receipts Taxes	Fines, Forfeitures and Penalties	Licenses, Permits, and Inspections	Charges for Services/ Goods	Intergov- ernmental	Contri- butions	Interest and Other	
General government									
<i>Municipal Court:</i>									
Municipal Court Building Security \$	--	--	40	--	--	--	--	--	40
Municipal Court Juvenile Case Manager	--	--	16	--	--	--	--	1	17
Municipal Court Local Consolidated Court	--	--	202	--	--	--	--	--	202
Municipal Court Technology	--	--	39	--	--	--	--	--	39
Total Municipal Court	--	--	297	--	--	--	--	1	298
<i>Other general government:</i>									
Campaign Financing Fund (2)	--	--	--	--	--	--	22	--	22
Total other general government	--	--	--	--	--	--	22	--	22
Total general government	--	--	297	--	--	--	22	1	320
Public safety									
<i>Police:</i>									
ARIC Sustainability	--	--	--	--	--	--	438	5	443
Auto Theft Interdiction	--	--	28	--	--	--	--	1	29
Police Benefit	--	--	--	--	--	--	108	--	108
Police Federal Dept. of Justice Asset Forfeiture	--	--	84	--	--	--	--	13	97
Police Federal Dept. of Treasury Asset Forfeiture	--	--	89	--	--	--	--	14	103
Police State Contraband Asset Forfeiture	--	--	40	--	--	--	--	15	55
Police State Gambling Asset Forfeiture	--	--	--	--	--	--	--	2	2
Total Police	--	--	241	--	--	--	546	50	837
<i>Fire:</i>									
Fire Miscellaneous	--	--	--	--	--	--	--	1	1
Total Fire	--	--	--	--	--	--	--	1	1
Total public safety	--	--	241	--	--	--	546	51	838
Transportation, planning, and sustainability									
<i>Public Works and Transportation:</i>									
Child Safety	--	--	383	--	--	--	--	971	1,354
Project Connect	150,103	--	--	--	--	--	--	135	150,238
Total Public Works and Transportation	150,103	--	383	--	--	--	--	1,106	151,592
Total transportation, planning, and sustainability	150,103	--	383	--	--	--	--	1,106	151,592
Public health									
<i>Health & Human Services:</i>									
CARES - Coronavirus Relief	--	--	--	--	--	33,806	--	74	33,880
Coronavirus State & Local Recovery	--	--	--	--	--	7,428	--	--	7,428
Health Miscellaneous	--	--	--	--	--	--	--	--	--
Total Health & Human Services	--	--	--	--	--	41,234	--	74	41,308
<i>Other public health:</i>									
Animal Services	--	--	--	--	--	--	248	1	249
Total other public health	--	--	--	--	--	--	248	1	249
Total public health	\$ --	--	--	--	--	41,234	248	75	41,557

(1) Expenditures include capital outlay of \$16.43 million.

(2) Previously reported as a Fiduciary fund.

City of Austin, Texas
Exhibit E-12

Current Expenditures (1)	Expenditures		Excess (Deficiency) Of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)		Net Change in Fund Balances	Fund Balances at Beginning of Year, as Restated	Fund Balances at End of Year
	Principal	Debt Service Interest		Transfers In	Transfers Out			
1	--	--	39	--	--	39	32	71
510	--	--	(493)	--	--	(493)	799	306
--	--	--	202	--	--	202	105	307
--	--	--	39	--	--	39	236	275
511	--	--	(213)	--	--	(213)	1,172	959
53	--	--	(31)	--	--	(31)	52	21
53	--	--	(31)	--	--	(31)	52	21
564	--	--	(244)	--	--	(244)	1,224	980
65	--	--	378	--	--	378	1,975	2,353
--	--	--	29	--	--	29	31	60
142	--	--	(34)	--	--	(34)	334	300
49	--	--	48	--	--	48	2,234	2,282
--	--	--	103	--	--	103	3,430	3,533
--	--	--	55	--	--	55	3,543	3,598
62	--	--	(60)	--	--	(60)	714	654
318	--	--	519	--	--	519	12,261	12,780
--	--	--	1	--	--	1	57	58
--	--	--	1	--	--	1	57	58
318	--	--	520	--	--	520	12,318	12,838
2,608	--	--	(1,254)	1,500	--	246	(29)	217
148,977	--	--	1,261	--	(1,263)	(2)	--	(2)
151,585	--	--	7	1,500	(1,263)	244	(29)	215
151,585	--	--	7	1,500	(1,263)	244	(29)	215
34,436	--	--	(556)	--	--	(556)	556	--
7,428	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	55	55
41,864	--	--	(556)	--	--	(556)	611	55
90	--	--	159	--	--	159	269	428
90	--	--	159	--	--	159	269	428
41,954	--	--	(397)	--	--	(397)	880	483

(Continued)

Special Revenue Funds - Other
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

	Revenues								Total Revenues
	Property Taxes	Gross Receipts Taxes	Fines, Forfeitures and Penalties	Licenses, Permits, and Inspections	Charges for Services/ Goods	Intergov- ernmental	Contri- butions	Interest and Other	
Public recreation and culture									
<i>Austin Public Library:</i>									
Austin History Center	\$ --	--	--	--	--	--	12	--	12
Friends of Austin Public Library	--	--	--	--	--	--	24	--	24
Library Facilities Maintenance and Improvements	--	--	--	--	375	--	--	73	448
Special Library	--	--	--	--	--	--	84	--	84
Total Austin Public Library	--	--	--	--	375	--	120	73	568
<i>Parks and Recreation:</i>									
PARD Parking	--	--	--	--	--	--	--	1,204	1,204
Total parks and recreation	--	--	--	--	--	--	--	1,204	1,204
Total public recreation and culture	--	--	--	--	375	--	120	1,277	1,772
Urban growth management									
<i>Housing & Planning:</i>									
Homestead Preservation									
Reinvestment Tax Increment	4,613	--	--	--	--	--	--	--	4,613
Housing Loan	--	--	--	--	--	--	--	--	--
Neighborhood Revitalization (2)	--	--	--	--	--	--	--	--	--
UNO Housing Trust	--	--	--	--	348	--	--	3	351
Urban Renewal Agency	--	--	--	--	--	--	--	--	--
Total Housing & Planning	4,613	--	--	--	348	--	--	3	4,964
<i>Development Services & Watershed Protection:</i>									
Austin Industrial Development Corporation (AIDC)	--	--	--	--	--	--	--	--	--
Austin Lake Hills Water Quality	--	--	--	--	--	--	--	--	--
Barton Springs Zone Mitigation	--	--	--	--	--	--	--	2	2
Fiscal Surety-Land Development	--	--	--	--	--	--	--	--	--
Planting for the Future	--	--	--	--	--	--	24	--	24
Riparian Zone Mitigation	--	--	--	--	--	--	565	2	567
Urban Forest Replenishment	--	--	--	3,453	--	--	77	9	3,539
Water Supply Mitigation	--	--	--	--	--	--	--	--	--
Total Development Services & Watershed Protection	\$ --	--	--	3,453	--	--	666	13	4,132

(1) Expenditures include capital outlay of \$16.43 million.

(2) Previously reported as a Fiduciary fund.

City of Austin, Texas
Exhibit E-12

(Continued)

Current Expend- itures (1)	Expenditures		Excess (Deficiency) Of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)		Net Change in Fund Balances	Fund Balances at Beginning of Year, as Restated	Fund Balances at End of Year
	Principal	Debt Service Interest		Transfers In	Transfers Out			
3	--	--	9	--	--	9	116	125
--	--	--	24	--	(282)	(258)	824	566
256	--	--	192	2,244	--	2,436	--	2,436
190	--	--	(106)	--	(1,963)	(2,069)	3,678	1,609
449	--	--	119	2,244	(2,245)	118	4,618	4,736
215	--	--	989	--	(454)	535	(57)	478
215	--	--	989	--	(454)	535	(57)	478
664	--	--	1,108	2,244	(2,699)	653	4,561	5,214
--	--	--	4,613	--	--	4,613	2,582	7,195
150	--	--	(150)	--	--	(150)	3,018	2,868
--	--	--	--	--	--	--	(19)	(19)
--	--	--	351	--	--	351	1,229	1,580
45	--	--	(45)	45	--	--	678	678
195	--	--	4,769	45	--	4,814	7,488	12,302
194	--	--	(194)	--	--	(194)	194	--
--	--	--	--	--	--	--	101	101
--	--	--	2	--	(483)	(481)	549	68
675	--	--	(675)	--	--	(675)	758	83
35	--	--	(11)	--	--	(11)	365	354
--	--	--	567	--	(315)	252	478	730
1,816	--	--	1,723	--	(750)	973	4,167	5,140
--	--	--	--	--	--	--	8	8
2,720	--	--	1,412	--	(1,548)	(136)	6,620	6,484

(Continued)

Special Revenue Funds - Other
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

	Revenues								Total Revenues
	Property Taxes	Gross Receipts Taxes	Fines, Forfeitures and Penalties	Licenses, Permits, and Inspections	Charges for Services/ Goods	Intergov- ernmental	Contri- butions	Interest and Other	
<i>Other urban growth management (2):</i>									
Austin Cable Access	\$ --	1,741	--	--	--	--	--	21	1,762
City Hall	--	--	--	--	440	--	--	9	449
City Hall Retail Tenant Improvement	--	--	--	--	--	--	--	--	--
Cultural Arts	--	5,197	--	--	--	--	--	2	5,199
Downtown Public Improvement District	--	--	--	--	10,449	--	--	14	10,463
East Sixth Street Public Improvement District	--	--	--	--	54	--	--	--	54
Estancia Hill Country Public Improvement District	--	--	--	--	2,784	--	--	3	2,787
Historic Preservation	--	5,197	--	--	--	--	--	22	5,219
Hotel-Motel Occupancy Tax	--	59,111	--	--	--	--	--	--	59,111
I-35 Parking Program	--	--	--	--	12	--	--	1	13
Indian Hills Public Improvement District	--	--	--	--	441	--	--	1	442
Live Music	--	--	--	--	--	--	--	5	5
Mueller Development Corporation	--	--	--	--	--	--	--	1,252	1,252
Mueller Local Government Corporation	--	--	--	--	--	--	--	28	28
Mueller Tax Increment Financing	9,190	--	--	--	--	--	--	1	9,191
One Texas Center	--	--	--	--	350	--	--	--	350
Permitting & Development Center	--	--	--	--	--	--	--	--	--
Public Arts	--	--	--	--	--	--	--	10	10
Rainey Street Historic District	--	--	--	--	--	--	--	--	--
Rutherford Lane Facility	--	--	--	--	3,619	--	--	1	3,620
Seaholm Tax Increment Financing	1,838	--	--	--	--	--	--	--	1,838
Second Street Tax Increment Financing	100	--	--	--	--	--	--	--	100
Section 108 Family Business Loan	--	--	--	--	--	35	--	42	77
South Congress Public Improvement District	--	--	--	--	271	--	--	--	271
Tourism and Promotion	--	1,981	--	--	--	--	--	1	1,982
Vehicle Rental Tax	--	8,796	--	--	--	--	--	2	8,798
Waller Creek Reserve	--	--	--	--	--	--	--	1,548	1,548
Waller Creek Tax Increment Financing	11,373	--	--	--	--	--	--	3	11,376
Whisper Valley Public Improvement District	--	--	--	--	2,549	--	--	2	2,551
Wildland Conservation	--	--	--	--	--	--	--	365	365
Total other urban growth management	22,501	82,023	--	--	20,969	35	--	3,333	128,861
Total urban growth management	27,114	82,023	--	3,453	21,317	35	666	3,349	137,957
Total	\$ 177,217	82,023	921	3,453	21,692	41,269	1,602	5,859	334,036

(1) Expenditures include capital outlay of \$16.43 million.

(2) Neighborhood Housing & Conservation and Affordable Housing are now reported as Capital Projects funds.

City of Austin, Texas
Exhibit E-12

(Continued)

Current Expend- itures (1)	Expenditures		Excess (Deficiency) Of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)		Net Change in Fund Balances	Fund Balances at Beginning of Year, as Restated	Fund Balances at End of Year
	Debt Service			Transfers In	Transfers Out			
	Principal	Interest						
1,646	--	--	116	474	--	590	9,460	10,050
544	--	--	(95)	29	(200)	(266)	297	31
--	--	--	--	--	(29)	(29)	29	--
7,127	--	--	(1,928)	--	--	(1,928)	729	(1,199)
7,799	--	--	2,664	360	--	3,024	2,738	5,762
71	--	--	(17)	35	--	18	58	76
3,669	--	--	(882)	--	--	(882)	7,061	6,179
2,550	--	--	2,669	1,479	(2,650)	1,498	9,145	10,643
--	--	--	59,111	--	(42,020)	17,091	8,636	25,727
146	--	--	(133)	--	(102)	(235)	387	152
439	--	--	3	--	--	3	676	679
4	--	--	1	1,480	--	1,481	1,761	3,242
267	--	--	985	--	(1,000)	(15)	118	103
3	2,945	1,634	(4,554)	10,177	--	5,623	13,575	19,198
--	--	--	9,191	--	(9,191)	--	--	--
--	--	--	350	--	(326)	24	(24)	--
--	--	--	--	1,100	(1,100)	--	--	--
--	--	--	10	--	--	10	1	11
--	--	--	--	200	--	200	306	506
1,817	--	--	1,803	--	(1,534)	269	832	1,101
--	--	--	1,838	--	(1,706)	132	73	205
70	--	--	30	--	--	30	128	158
79	--	5	(7)	--	(633)	(640)	2,864	2,224
295	--	--	(24)	3	--	(21)	166	145
1,796	--	--	186	--	--	186	157	343
--	--	--	8,798	--	(7,212)	1,586	1,247	2,833
--	--	--	1,548	11,376	(7,910)	5,014	20,906	25,920
--	--	--	11,376	--	(11,376)	--	--	--
2,771	--	--	(220)	--	--	(220)	3,454	3,234
430	--	--	(65)	--	--	(65)	863	798
31,523	2,945	1,639	92,754	26,713	(86,989)	32,478	85,643	118,121
34,438	2,945	1,639	98,935	26,758	(88,537)	37,156	99,751	136,907
229,523	2,945	1,639	99,929	30,502	(92,499)	37,932	118,705	156,637

Special Revenue Funds - Other
Combining Schedule of Revenues, Expenditures, and Transfers -
Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-13

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses)		Excess of Sources Over (Under) Uses	Fund Balances at End of Year
				Transfer In	Transfer Out		
General government							
<i>Municipal Court:</i>							
Municipal Court Building Security							
Actual-budget basis	\$ 30	10	--	--	--	10	40
Budget	14	84	83	--	--	1	15
Variance-Positive (Negative)	16	(74)	83	--	--	9	25
Municipal Court Juvenile Case Manager							
Actual-budget basis	786	17	503	--	7	(493)	293
Budget	763	144	776	--	7	(639)	124
Variance-Positive (Negative)	23	(127)	273	--	--	146	169
Municipal Court Local Consolidated Court							
Actual-budget basis	105	203	--	--	--	203	308
Budget	116	217	226	--	--	(9)	107
Variance-Positive (Negative)	(11)	(14)	226	--	--	212	201
Municipal Court Technology							
Actual-budget basis	234	13	4	--	--	9	243
Budget	254	126	296	--	--	(170)	84
Variance-Positive (Negative)	(20)	(113)	292	--	--	179	159
Public safety							
<i>Police:</i>							
Police Federal Dept. of Justice Asset Forfeiture							
Actual-budget basis	2,148	97	--	--	--	97	2,245
Budget	1,940	--	1,940	--	--	(1,940)	--
Variance-Positive (Negative)	208	97	1,940	--	--	2,037	2,245
Police Federal Dept. of Treasury Asset Forfeiture							
Actual-budget basis	3,429	102	--	--	--	102	3,531
Budget	2,743	--	2,743	--	--	(2,743)	--
Variance-Positive (Negative)	686	102	2,743	--	--	2,845	3,531
Police State Contraband Asset Forfeiture							
Actual-budget basis	3,504	56	116	--	--	(60)	3,444
Budget	3,443	--	3,443	--	--	(3,443)	--
Variance-Positive (Negative)	61	56	3,327	--	--	3,383	3,444
Police State Gambling Asset Forfeiture							
Actual-budget basis	714	2	62	--	--	(60)	654
Budget	714	--	714	--	--	(714)	--
Variance-Positive (Negative)	--	2	652	--	--	654	654

(Continued)

Special Revenue Funds - Other
Combining Schedule of Revenues, Expenditures, and Transfers -
Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-13

(Continued)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses)		Excess of Sources Over (Under) Uses	Fund Balances at End of Year
				Transfer In	Transfer Out		
Transportation, planning, and sustainability							
<i>Public Works and Transportation:</i>							
Child Safety							
Actual-budget basis	\$ (14)	1,355	2,580	1,500	11	264	250
Budget	32	1,477	2,896	1,500	11	70	102
Variance-Positive (Negative)	(46)	(122)	316	--	--	194	148
Project Connect							
Actual-budget basis	--	150,238	150,240	--	--	(2)	(2)
Budget	--	144,701	144,701	--	--	--	--
Variance-Positive (Negative)	--	5,537	(5,539)	--	--	(2)	(2)
Public recreation and culture							
<i>Austin Public Library</i>							
Library Facilities Maintenance and Improvements							
Actual-budget basis	--	448	30	2,244	--	2,662	2,662
Budget	--	668	911	2,143	--	1,900	1,900
Variance-Positive (Negative)	--	(220)	881	101	--	762	762
<i>Parks and Recreation:</i>							
PARD Parking							
Actual-budget basis	(56)	1,204	669	--	--	535	479
Budget	(389)	1,088	699	--	--	389	--
Variance-Positive (Negative)	333	116	30	--	--	146	479
Urban growth management							
<i>Housing and Planning:</i>							
Homestead Preservation Reinvestment Tax Increment							
Actual-budget basis	2,582	4,613	--	--	--	4,613	7,195
Budget	2,582	1,240	3,179	--	--	(1,939)	643
Variance-Positive (Negative)	--	3,373	3,179	--	--	6,552	6,552
UNO Housing Trust							
Actual-budget basis	1,229	351	--	--	--	351	1,580
Budget	1,028	--	1,028	--	--	(1,028)	--
Variance-Positive (Negative)	201	351	1,028	--	--	1,379	1,580
<i>Development Services & Watershed Protection:</i>							
Urban Forest Replenishment							
Actual-budget basis	3,345	3,539	2,694	--	--	845	4,190
Budget	3,165	1,485	3,054	--	--	(1,569)	1,596
Variance-Positive (Negative)	180	2,054	360	--	--	2,414	2,594
<i>Other urban growth management:</i>							
Austin Cable Access							
Actual-budget basis	8,159	1,762	3,013	475	--	(776)	7,383
Budget	7,698	1,770	3,717	475	--	(1,472)	6,226
Variance-Positive (Negative)	461	(8)	704	--	--	696	1,157

(Continued)

Special Revenue Funds - Other
Combining Schedule of Revenues, Expenditures, and Transfers -
Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-13

(Continued)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses)		Excess of Sources Over (Under) Uses	Fund Balances at End of Year
				Transfer In	Transfer Out		
Urban growth management, continued							
City Hall							
Actual-budget basis	\$ 164	449	1,108	29	200	(830)	(666)
Budget	41	1,344	1,087	--	200	57	98
Variance-Positive (Negative)	123	(895)	(21)	29	--	(887)	(764)
Cultural Arts							
Actual-budget basis	(699)	2	7,077	5,197	--	(1,878)	(2,577)
Budget	(1,081)	30	7,234	7,790	--	586	(495)
Variance-Positive (Negative)	382	(28)	157	(2,593)	--	(2,464)	(2,082)
Downtown Public Improvement District							
Actual-budget basis	488	10,525	10,070	360	--	815	1,303
Budget	1,201	9,615	10,252	360	--	(277)	924
Variance-Positive (Negative)	(713)	910	182	--	--	1,092	379
East Sixth Street Public Improvement District							
Actual-budget basis	11	56	45	35	--	46	57
Budget	51	59	90	35	--	4	55
Variance-Positive (Negative)	(40)	(3)	45	--	--	42	2
Estancia Hill Country Public Improvement District							
Actual-budget basis	1,714	2,787	3,664	--	--	(877)	837
Budget	3,220	2,772	2,117	--	--	655	3,875
Variance-Positive (Negative)	(1,506)	15	(1,547)	--	--	(1,532)	(3,038)
Historic Preservation							
Actual-budget basis	7,703	22	3,233	6,677	2,650	816	8,519
Budget	7,096	60	13,429	10,016	2,650	(6,003)	1,093
Variance-Positive (Negative)	607	(38)	10,196	(3,339)	--	6,819	7,426
Hotel-Motel Occupancy Tax							
Actual-budget basis	(14,014)	71,494	--	--	54,395	17,099	3,085
Budget	--	81,614	--	--	81,614	--	--
Variance-Positive (Negative)	(14,014)	(10,120)	--	--	27,219	17,099	3,085
I-35 Parking Program							
Actual-budget basis	351	13	145	--	102	(234)	117
Budget	298	270	207	--	102	(39)	259
Variance-Positive (Negative)	53	(257)	62	--	--	(195)	(142)
Indian Hills Public Improvement District							
Actual-budget basis	255	442	443	--	--	(1)	254
Budget	437	439	442	--	--	(3)	434
Variance-Positive (Negative)	(182)	3	(1)	--	--	2	(180)
Live Music							
Actual-budget basis	1,761	5	4	1,480	--	1,481	3,242
Budget	2,469	5	3,000	2,226	--	(769)	1,700
Variance-Positive (Negative)	(708)	--	2,996	(746)	--	2,250	1,542

(Continued)

Special Revenue Funds - Other
Combining Schedule of Revenues, Expenditures, and Transfers -
Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-13

(Continued)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses)		Excess of Sources Over (Under) Uses	Fund Balances at End of Year
				Transfer In	Transfer Out		
Urban growth management, continued							
Mueller Tax Increment Financing							
Actual-budget basis	\$ --	9,191	--	--	9,191	--	--
Budget	(199)	8,033	--	--	7,834	199	--
Variance-Positive (Negative)	199	1,158	--	--	(1,357)	(199)	--
One Texas Center							
Actual-budget basis	(24)	350	--	--	326	24	--
Budget	(24)	350	--	--	350	--	(24)
Variance-Positive (Negative)	--	--	--	--	24	24	24
Rainey Street Historic District							
Actual-budget basis	300	--	--	200	--	200	500
Budget	300	--	200	200	--	--	300
Variance-Positive (Negative)	--	--	200	--	--	200	200
Rutherford Lane Facility							
Actual-budget basis	562	3,620	2,154	--	1,534	(68)	494
Budget	604	3,272	2,236	--	1,534	(498)	106
Variance-Positive (Negative)	(42)	348	82	--	--	430	388
Seaholm Tax Increment Financing							
Actual-budget basis	73	1,837	--	--	1,706	131	204
Budget	70	1,636	--	--	1,706	(70)	--
Variance-Positive (Negative)	3	201	--	--	--	201	204
Second Street Tax Increment Financing							
Actual-budget basis	90	--	100	100	--	--	90
Budget	93	2	100	100	--	2	95
Variance-Positive (Negative)	(3)	(2)	--	--	--	(2)	(5)
Section 108 Family Business Loan							
Actual-budget basis	620	1,365	102	--	643	620	1,240
Budget	413	9,583	3,473	--	934	5,176	5,589
Variance-Positive (Negative)	207	(8,218)	3,371	--	291	(4,556)	(4,349)
South Congress Public Improvement District							
Actual-budget basis	16	271	230	3	--	44	60
Budget	38	295	281	3	--	17	55
Variance-Positive (Negative)	(22)	(24)	51	--	--	27	5
Tourism and Promotion							
Actual-budget basis	156	1	1,795	1,981	--	187	343
Budget	--	18	2,986	2,968	--	--	--
Variance-Positive (Negative)	156	(17)	1,191	(987)	--	187	343

(Continued)

Special Revenue Funds - Other
Combining Schedule of Revenues, Expenditures, and Transfers -
Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-13

(Continued)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses)		Excess of Sources Over (Under) Uses	Fund Balances at End of Year
				Transfer In	Transfer Out		
Urban growth management, continued							
Vehicle Rental Tax							
Actual-budget basis	\$ (1,142)	8,798	--	--	7,212	1,586	444
Budget	--	10,723	--	--	10,723	--	--
Variance-Positive (Negative)	(1,142)	(1,925)	--	--	3,511	1,586	444
Waller Creek Reserve							
Actual-budget basis	20,906	1,548	--	11,376	7,910	5,014	25,920
Budget	21,418	3,309	--	8,565	7,910	3,964	25,382
Variance-Positive (Negative)	(512)	(1,761)	--	2,811	--	1,050	538
Waller Creek Tax Increment Financing							
Actual-budget basis	--	11,376	--	--	11,376	--	--
Budget	60	8,505	--	--	8,565	(60)	--
Variance-Positive (Negative)	(60)	2,871	--	--	(2,811)	60	--
Whisper Valley Public Improvement District							
Actual-budget basis	975	2,552	2,759	--	--	(207)	768
Budget	1,613	2,486	2,488	--	--	(2)	1,611
Variance-Positive (Negative)	(638)	66	(271)	--	--	(205)	(843)
Wildland Conservation							
Actual-budget basis	740	365	444	--	--	(79)	661
Budget	725	375	861	--	--	(486)	239
Variance-Positive (Negative)	15	(10)	417	--	--	407	422
Total							
Actual-budget basis	\$ 47,201	291,079	193,284	31,657	97,263	32,189	79,390
Budget	62,946	297,795	220,889	36,381	124,140	(10,853)	52,093
Variance-Positive (Negative)	(15,745)	(6,716)	27,605	(4,724)	26,877	43,042	27,297



DEBT SERVICE FUNDS

Debt service funds account for and report financial resources, and the accumulation of those financial resources, that are restricted to expenditures for principal and interest of general long-term debt and HUD Section 108 loans. The City reports the following nonmajor debt service funds:

General Obligation Debt Service Fund - Accounts for payments of principal, interest and related costs of general obligation and other tax-supported debt;

HUD Section 108 Loans Fund - Accounts for HUD loans for construction costs.



Debt Service Funds
Combining Balance Sheet
September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-14

	General Obligation	HUD Section 108 Loans	Total
ASSETS			
Cash	\$ 1	--	1
Pooled investments and cash	2,766	--	2,766
Investments - restricted	30,488	--	30,488
Property taxes receivable, net of allowance	2,507	--	2,507
Interest receivable	46	--	46
Due from other funds	5	--	5
Advances to other funds	266	--	266
Total assets	<u>36,079</u>	<u>--</u>	<u>36,079</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	2	--	2
Advances from other funds	111	--	111
Deposits and other liabilities	113	--	113
Total liabilities	<u>226</u>	<u>--</u>	<u>226</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,236</u>	<u>--</u>	<u>2,236</u>
FUND BALANCES			
Restricted	33,617	--	33,617
Total fund balances	<u>33,617</u>	<u>--</u>	<u>33,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,079</u>	<u>--</u>	<u>36,079</u>

Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-15

	General Obligation	HUD Section 108 Loans	Total
REVENUES			
Property taxes			
Current	\$ 197,285	--	197,285
Penalty and interest	826	--	826
Total property taxes	<u>198,111</u>	<u>--</u>	<u>198,111</u>
Interest and other	<u>2,845</u>	<u>166</u>	<u>3,011</u>
Total revenues	<u>200,956</u>	<u>166</u>	<u>201,122</u>
EXPENDITURES			
Current:			
Debt service:			
Principal	147,166	714	147,880
Interest	65,991	80	66,071
Fees and commissions	28	5	33
Total expenditures	<u>213,185</u>	<u>799</u>	<u>213,984</u>
Excess (deficiency) of revenues over (under) expenditures	(12,229)	(633)	(12,862)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	1,125	--	1,125
Issuance of refunding bonds	78,949	--	78,949
Bond premiums	14,468	--	14,468
Payment to refunding bond escrow agent	(93,417)	--	(93,417)
Transfers in	13,436	633	14,069
Total other financing sources (uses)	<u>14,561</u>	<u>633</u>	<u>15,194</u>
Net change in fund balances	2,332	--	2,332
Fund balances at beginning of year	31,285	--	31,285
Fund balances at end of year	<u>\$ 33,617</u>	<u>--</u>	<u>33,617</u>

Debt Service Funds
Combining Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-16

	General Obligation			HUD Section 108 Loans			Total
	Actual- Budget Basis	Budget	Variance- Positive (Negative)	Actual- Budget Basis	Budget	Variance- Positive (Negative)	Actual-Budget Basis
REVENUES							
Property taxes	\$ 198,112	191,624	6,488	--	--	--	198,112
Interest	205	321	(116)	--	--	--	205
Other revenue	3,764	1,119	2,645	166	--	166	3,930
Total revenues	202,081	193,064	9,017	166	--	166	202,247
EXPENDITURES							
Principal	158,675	158,884	209	714	714	--	159,389
Interest	69,254	72,547	3,293	80	380	300	69,334
Fees and commissions	26	30	4	5	6	1	31
Total expenditures	227,955	231,461	3,506	799	1,100	301	228,754
Excess (deficiency) of revenues over expenditures	(25,874)	(38,397)	12,523	(633)	(1,100)	467	(26,507)
OTHER FINANCING SOURCES (USES)							
Transfers in	28,381	28,497	(116)	633	1,100	(467)	29,014
Total other financing sources (uses)	28,381	28,497	(116)	633	1,100	(467)	29,014
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,507	(9,900)	12,407	--	--	--	2,507
Fund balances at beginning of year	30,958	32,946	(1,988)	--	--	--	30,958
Fund balances at end of year	\$ 33,465	23,046	10,419	--	--	--	33,465



CAPITAL PROJECTS FUNDS

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). The City reports the following nonmajor capital projects funds:

- 1984:* Funds authorized September 8, 1984, for street improvements;
- 1985:* Funds authorized July 26, 1985, for parks and recreation;
- 1998:* Funds authorized November 3, 1998, for various purposes;
- 2000:* Funds authorized November 7, 2000, for mobility transportation;
- 2006:* Funds authorized November 7, 2006, for various purposes;
- 2010:* Funds authorized November 2, 2010, for mobility transportation;
- 2012:* Funds authorized November 6, 2012, for various purposes;
- 2016:* Funds authorized November 8, 2016, for mobility transportation;
- 2018:* Funds authorized November 6, 2018, for various purposes;
- 2020:* Funds authorized November 3, 2020, for mobility transportation; and
- Other:* Other funds established for various purposes.



**Capital Projects Funds
Combining Balance Sheet
September 30, 2021
(In thousands)**

	Assets						Total Assets
	Pooled Investments and Cash	Net Accounts Receivable	Interest Receivable	Receivable from Other Govern- ments	Due from Other Funds	Advances to Other Funds	
Funds authorized September 8, 1984							
Street improvements	\$ 437	--	--	--	--	--	437
Total Funds authorized in 1984	437	--	--	--	--	--	437
Funds authorized July 26, 1985							
Neighborhood park and recreation	9,892	--	--	--	--	--	9,892
Total Funds authorized in 1985	9,892	--	--	--	--	--	9,892
Funds authorized November 3, 1998							
Traffic signals	678	--	--	--	--	--	678
Parks and recreation facilities	2	--	--	--	--	--	2
Total Funds authorized in 1998	680	--	--	--	--	--	680
Funds authorized November 7, 2000							
Transportation mobility improvement	293	--	--	--	--	--	293
Total Funds authorized in 2000	293	--	--	--	--	--	293
Funds authorized November 7, 2006							
Transportation	96	--	--	--	--	--	96
Drainage & open spaces	3,396	--	--	--	--	--	3,396
Parks	129	--	--	--	--	--	129
Cultural facilities	1,186	--	--	--	--	--	1,186
Affordable housing	5,647	--	--	--	--	--	5,647
Central library	257	--	--	--	--	--	257
Public safety	4,498	--	--	--	--	--	4,498
Total Funds authorized in 2006	\$ 15,209	--	--	--	--	--	15,209

City of Austin, Texas
Exhibit E-17

Liabilities					Fund Balances			Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Accounts Payable	Due to Other Funds	Advances from Other Funds	Deposits and Other Liabilities	Total Liabilities	Restricted	Assigned	Unassigned		Total Fund Balances
--	--	--	--	--	--	437	--	437	437
--	--	--	--	--	--	437	--	437	437
59	--	--	--	59	9,763	70	--	9,833	9,892
59	--	--	--	59	9,763	70	--	9,833	9,892
1	--	--	--	1	677	--	--	677	678
--	--	--	--	--	2	--	--	2	2
1	--	--	--	1	679	--	--	679	680
4	--	--	--	4	--	289	--	289	293
4	--	--	--	4	--	289	--	289	293
--	--	--	--	--	96	--	--	96	96
43	--	--	--	43	3,353	--	--	3,353	3,396
--	--	--	--	--	129	--	--	129	129
--	--	--	--	--	1,186	--	--	1,186	1,186
--	--	--	--	--	5,647	--	--	5,647	5,647
--	--	--	--	--	257	--	--	257	257
416	--	--	--	416	4,082	--	--	4,082	4,498
459	--	--	--	459	14,750	--	--	14,750	15,209

(Continued)

**Capital Projects Funds
Combining Balance Sheet
September 30, 2021
(In thousands)**

	Assets						
	Pooled Investments and Cash	Net Accounts Receivable	Interest Receivable	Receivable from Other Govern- ments	Due from Other Funds	Advances to Other Funds	Total Assets
Funds authorized November 2, 2010							
Mobility	\$ 588	--	--	--	--	--	588
Total Funds authorized in 2010	588	--	--	--	--	--	588
Funds authorized November 6, 2012							
Transportation	532	--	--	--	9,000	--	9,532
Open space	14	--	--	--	--	--	14
Parks	8,985	--	--	--	--	--	8,985
Public safety	5,602	--	--	--	--	--	5,602
Health	152	--	--	--	--	--	152
Library & cultural	1,517	--	--	--	--	--	1,517
Total Funds authorized in 2012	16,802	--	--	--	9,000	--	25,802
Funds authorized November 8, 2016							
Mobility	--	--	--	--	--	--	--
Total Funds authorized in 2016	--	--	--	--	--	--	--
Funds authorized November 6, 2018							
Affordable housing (1)	--	--	--	--	--	--	--
Library & cultural	4,048	--	--	--	--	--	4,048
Parks	--	--	--	--	--	--	--
Open space	--	--	--	--	--	--	--
Health	439	--	--	--	--	--	439
Public safety	6,145	--	--	--	--	--	6,145
Transportation	--	--	--	--	--	--	--
Total Funds authorized in 2018	10,632	--	--	--	--	--	10,632
Funds authorized November 3, 2020							
Transportation	--	--	--	--	--	--	--
Total Funds authorized in 2020	\$ --	--	--	--	--	--	--

(1) Previously reported as a Special Revenue fund, Housing Assistance 2018

(Continued)

Liabilities					Fund Balances			Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Accounts Payable	Due to Other Funds	Advances from Other Funds	Deposits and Other Liabilities	Total Liabilities	Restricted	Assigned	Unassigned		Total Fund Balances
--	--	--	--	--	588	--	--	588	588
--	--	--	--	--	588	--	--	588	588
1,723	--	--	--	1,723	7,809	--	--	7,809	9,532
--	--	--	--	--	14	--	--	14	14
175	--	--	--	175	8,810	--	--	8,810	8,985
277	--	--	--	277	5,325	--	--	5,325	5,602
--	--	--	--	--	152	--	--	152	152
205	--	--	--	205	1,312	--	--	1,312	1,517
2,380	--	--	--	2,380	23,422	--	--	23,422	25,802
11,490	--	37,546	--	49,036	--	--	(49,036)	(49,036)	--
11,490	--	37,546	--	49,036	--	--	(49,036)	(49,036)	--
8	60,369	--	--	60,377	--	--	(60,377)	(60,377)	--
318	--	--	--	318	3,730	--	--	3,730	4,048
679	--	17,013	--	17,692	--	--	(17,692)	(17,692)	--
519	21,901	--	--	22,420	--	--	(22,420)	(22,420)	--
35	--	--	--	35	404	--	--	404	439
189	--	--	--	189	5,956	--	--	5,956	6,145
1,809	2,473	--	--	4,282	--	--	(4,282)	(4,282)	--
3,557	84,743	17,013	--	105,313	10,090	--	(104,771)	(94,681)	10,632
85	--	601	--	686	--	--	(686)	(686)	--
85	--	601	--	686	--	--	(686)	(686)	--

(Continued)

**Capital Projects Funds
Combining Balance Sheet
September 30, 2021
(In thousands)**

Assets							
	Pooled Investments and Cash	Net Accounts Receivable	Interest Receivable	Receivable from Other Govern- ments	Due from Other Funds	Advances to Other Funds	Total Assets
Other funds							
ATD Transportation	\$ 496	--	11	--	14,000	--	14,507
TPSD general improvements	819	186	--	--	17,000	--	18,005
Library automation system	2,297	--	--	--	332	--	2,629
General government projects	224	--	--	--	18,040	--	18,264
Health projects	1,232	--	--	--	--	--	1,232
Build Austin	9	--	--	6	--	--	15
CMTA Mobility	1,793	1,218	1	--	--	--	3,012
Park improvements	860	--	--	--	--	--	860
Parks and Recreation	87	--	--	--	21,000	601	21,688
Police and courts	415	--	--	--	--	--	415
Fire - general	--	--	--	--	--	--	--
CTM	1,294	--	--	--	3,691	29,309	34,294
Neighborhood housing & conservation (1)	584	--	--	--	--	--	584
GCP-PLD In Lieu Of Fee	1,335	--	27	--	--	40,000	41,362
Capital Rehabilitation	745	--	--	--	9,000	--	9,745
Public Works	--	438	--	--	--	--	438
Public Works CIP	1,429	1,266	--	--	--	--	2,695
GCP-PLD Development Fee	914	--	11	--	15,037	--	15,962
City Hall, plaza, parking garage	--	--	--	--	--	--	--
Colony Park	1,574	--	--	--	--	--	1,574
NPZ general	616	--	--	--	6,000	--	6,616
Waller Creek District	--	--	--	--	--	--	--
Waller Creek Tunnel	1,648	--	1	--	--	--	1,649
Fleet general improvements	55	--	--	--	--	--	55
Interest income fund	9,919	--	108	--	--	--	10,027
Total other funds	28,345	3,108	159	6	104,100	69,910	205,628
Totals	\$ 82,878	3,108	159	6	113,100	69,910	269,161

(1) Previously reported as a Special Revenue fund

(Continued)

Liabilities					Fund Balances			Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Accounts Payable	Due to Other Funds	Advances from Other Funds	Deposits and Other Liabilities	Total Liabilities	Restricted	Assigned	Unassigned		Total Fund Balances
13	--	--	--	13	--	14,494	--	14,494	14,507
659	--	--	--	659	--	17,346	--	17,346	18,005
76	--	--	--	76	244	2,309	--	2,553	2,629
427	--	--	423	850	12,666	4,748	--	17,414	18,264
--	--	--	--	--	--	1,232	--	1,232	1,232
123	--	--	--	123	--	--	(108)	(108)	15
101	--	--	--	101	2,646	265	--	2,911	3,012
34	--	--	--	34	--	826	--	826	860
687	--	--	--	687	5,454	15,547	--	21,001	21,688
--	--	--	--	--	--	415	--	415	415
2,040	28,357	--	--	30,397	--	--	(30,397)	(30,397)	--
655	--	--	--	655	--	33,639	--	33,639	34,294
--	--	--	--	--	584	--	--	584	584
24	--	--	--	24	37,139	4,199	--	41,338	41,362
422	--	--	--	422	--	9,323	--	9,323	9,745
13	--	507	--	520	--	--	(82)	(82)	438
--	--	--	--	--	2,044	651	--	2,695	2,695
2	--	--	--	2	13,076	2,884	--	15,960	15,962
--	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	1,574	--	1,574	1,574
46	--	--	--	46	--	6,570	--	6,570	6,616
1,040	--	14,243	--	15,283	--	--	(15,283)	(15,283)	--
4	--	--	--	4	1,436	209	--	1,645	1,649
--	--	--	--	--	55	--	--	55	55
--	--	--	--	--	--	10,027	--	10,027	10,027
6,366	28,357	14,750	423	49,896	75,759	125,843	(45,870)	155,732	205,628
24,401	113,100	69,910	423	207,834	135,051	126,639	(200,363)	61,327	269,161

Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

	Revenues				Expenditures
	Inter-governmental Revenues	Property Owners' Participation and Contributions	Interest and Other	Total Revenues	Capital Outlay (1)
Funds authorized September 8, 1984					
Street improvements	\$ --	--	--	--	3
Total Funds authorized in 1984	--	--	--	--	3
Funds authorized July 26, 1985					
Neighborhood park and recreation	--	769	--	769	1,910
Total Funds authorized in 1985	--	769	--	769	1,910
Funds authorized November 3, 1998					
Traffic signals	--	--	--	--	52
Parks and recreation facilities	--	--	--	--	1
Total Funds authorized in 1998	--	--	--	--	53
Funds authorized November 7, 2000					
Transportation mobility improvement	--	--	--	--	159
Total Funds authorized in 2000	--	--	--	--	159
Funds authorized November 7, 2006					
Transportation	--	--	--	--	66
Drainage & open spaces	--	--	--	--	323
Parks	--	--	--	--	27
Cultural facilities	--	--	--	--	35
Affordable housing	--	--	5,500	5,500	--
Central library	--	--	--	--	48
Public safety	--	--	--	--	2,155
Total Funds authorized in 2006	\$ --	--	5,500	5,500	2,654

(1) Capital Outlay includes capital lease principal of \$3.1 million and interest of \$500 thousand.

City of Austin, Texas
Exhibit E-18

Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)					Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
	Issuance of Tax Supported Debt	Bond Premiums	Transfers In	Transfers Out	Total Other Financing Sources (Uses)			
(3)	--	--	--	--	--	(3)	440	437
(3)	--	--	--	--	--	(3)	440	437
(1,141)	--	--	--	--	--	(1,141)	10,974	9,833
(1,141)	--	--	--	--	--	(1,141)	10,974	9,833
(52)	--	--	--	--	--	(52)	729	677
(1)	--	--	--	--	--	(1)	3	2
(53)	--	--	--	--	--	(53)	732	679
(159)	--	--	--	--	--	(159)	448	289
(159)	--	--	--	--	--	(159)	448	289
(66)	--	--	--	--	--	(66)	162	96
(323)	--	--	--	--	--	(323)	3,676	3,353
(27)	--	--	--	--	--	(27)	156	129
(35)	--	--	--	--	--	(35)	1,221	1,186
5,500	--	--	--	--	--	5,500	147	5,647
(48)	--	--	--	--	--	(48)	305	257
(2,155)	--	--	--	--	--	(2,155)	6,237	4,082
2,846	--	--	--	--	--	2,846	11,904	14,750

(Continued)

Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

	Revenues				Expenditures
	Inter-governmental Revenues	Property Owners' Participation and Contributions	Interest and Other	Total Revenues	Capital Outlay (1)
Funds authorized					
November 2, 2010					
Mobility	\$ --	--	--	--	98
Total Funds authorized in 2010	--	--	--	--	98
Funds Authorized					
November 6, 2012					
Transportation	--	--	--	--	13,237
Open space	--	--	--	--	44
Parks	--	--	--	--	3,211
Public safety	--	--	--	--	402
Health	--	--	--	--	140
Library & cultural	--	--	--	--	642
Total Funds authorized in 2012	--	--	--	--	17,676
Funds Authorized					
November 8, 2016					
Mobility	--	--	--	--	64,649
Total Funds authorized in 2016	--	--	--	--	64,649
Funds authorized					
November 6, 2018					
Affordable housing (2)	--	--	--	--	177
Library & cultural	--	--	--	--	2,355
Parks	--	--	--	--	20,589
Open space	--	--	--	--	14,260
Health	--	--	--	--	515
Public safety	--	--	--	--	2,553
Transportation	--	--	--	--	16,999
Total Funds authorized in 2018	--	--	--	--	57,448
Funds authorized					
November 3, 2020					
Transportation	--	--	--	--	686
Total Funds authorized in 2020	\$ --	--	--	--	686

(1) Capital Outlay includes capital lease principal of \$3.1 million and interest of \$500 thousand.

(2) Previously reported as a Special Revenue fund, Housing Assistance 2018.

(Continued)

Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)					Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
	Issuance of Tax Supported Debt	Bond Premiums	Transfers In	Transfers Out	Total Other Financing Sources(Uses)			
(98)	--	--	--	--	--	(98)	686	588
(98)	--	--	--	--	--	(98)	686	588
(13,237)	--	--	--	--	--	(13,237)	21,046	7,809
(44)	--	--	--	--	--	(44)	58	14
(3,211)	--	--	--	--	--	(3,211)	12,021	8,810
(402)	--	--	--	--	--	(402)	5,727	5,325
(140)	--	--	--	--	--	(140)	292	152
(642)	--	--	--	--	--	(642)	1,954	1,312
(17,676)	--	--	--	--	--	(17,676)	41,098	23,422
(64,649)	5,167	1,428	--	(970)	5,625	(59,024)	9,988	(49,036)
(64,649)	5,167	1,428	--	(970)	5,625	(59,024)	9,988	(49,036)
(177)	27,290	542	4,197	(78,544)	(46,515)	(46,692)	(13,685)	(60,377)
(2,355)	--	--	--	--	--	(2,355)	6,085	3,730
(20,589)	--	--	--	--	--	(20,589)	2,897	(17,692)
(14,260)	10,343	2,805	--	--	13,148	(1,112)	(21,308)	(22,420)
(515)	431	119	--	--	550	35	369	404
(2,553)	--	--	--	(50)	(50)	(2,603)	8,559	5,956
(16,999)	8,434	2,331	--	--	10,765	(6,234)	1,952	(4,282)
(57,448)	46,498	5,797	4,197	(78,594)	(22,102)	(79,550)	(15,131)	(94,681)
(686)	--	--	--	--	--	(686)	--	(686)
(686)	--	--	--	--	--	(686)	--	(686)

(Continued)

Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

	Revenues				Expenditures
	Inter-governmental Revenues	Property Owners' Participation and Contributions	Interest and Other	Total Revenues	Capital Outlay (1)
Other funds					
ATD Transportation	\$ --	--	8,367	8,367	440
TPSD general improvements	--	2,494	--	2,494	7,792
Library automation system	--	--	--	--	268
General government projects	26	--	--	26	31,352
Health projects	--	--	--	--	229
Build Austin	--	--	--	--	123
CMTA Mobility	1,218	--	5	1,223	2,085
Park improvements	1,262	--	--	1,262	956
Parks and Recreation	117	161	--	278	2,905
Police and courts	--	--	--	--	--
Fire - general	--	--	--	--	23,715
CTM	--	6,036	--	6,036	20,420
Neighborhood housing & conservation (2)	--	--	--	--	8
GCP-PLD In Lieu Of Fee	--	18,593	62	18,655	5,971
Capital Rehabilitation	--	--	--	--	5,099
Public Works	480	635	--	1,115	588
Public Works CIP	1,906	189	--	2,095	53
GCP-PLD Development Fee	--	6,414	24	6,438	438
City Hall, plaza, parking garage	--	--	--	--	--
Colony Park	--	99	--	99	76
NPZ general	--	--	--	--	300
Waller Creek District	--	--	--	--	7,114
Waller Creek Tunnel	--	--	3	3	9
Fleet general improvements	--	--	--	--	--
Interest income fund	--	--	99	99	--
Total other funds	<u>5,009</u>	<u>34,621</u>	<u>8,560</u>	<u>48,190</u>	<u>109,941</u>
Totals	<u>\$ 5,009</u>	<u>35,390</u>	<u>14,060</u>	<u>54,459</u>	<u>255,277</u>

(1) Capital Outlay includes capital lease principal of \$3.1 million and interest of \$500 thousand.

(2) Previously reported as a Special Revenue fund.

(Continued)

Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)					Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
	Issuance of Tax Supported Debt	Bond Premiums	Transfers In	Transfers Out	Total Other Financing Sources(Uses)			
7,927	--	--	--	--	--	7,927	6,567	14,494
(5,298)	--	--	3,016	(1,553)	1,463	(3,835)	21,181	17,346
(268)	--	--	500	--	500	232	2,321	2,553
(31,326)	116,809	26,319	4,748	(6,796)	141,080	109,754	(92,340)	17,414
(229)	--	--	--	--	--	(229)	1,461	1,232
(123)	--	--	--	--	--	(123)	15	(108)
(862)	--	--	--	--	--	(862)	3,773	2,911
306	--	--	44	--	44	350	476	826
(2,627)	--	--	3,429	(44)	3,385	758	20,243	21,001
--	--	--	--	--	--	--	415	415
(23,715)	10,767	2,533	--	(33)	13,267	(10,448)	(19,949)	(30,397)
(14,384)	--	--	12,891	--	12,891	(1,493)	35,132	33,639
(8)	--	--	--	(804)	(804)	(812)	1,396	584
12,684	--	--	--	--	--	12,684	28,654	41,338
(5,099)	--	--	7,348	(500)	6,848	1,749	7,574	9,323
527	--	--	--	(5)	(5)	522	(604)	(82)
2,042	--	--	651	--	651	2,693	2	2,695
6,000	--	--	--	--	--	6,000	9,960	15,960
--	--	--	4,962	--	4,962	4,962	(4,962)	--
23	--	--	1,000	(399)	601	624	950	1,574
(300)	--	--	728	--	728	428	6,142	6,570
(7,114)	--	--	--	--	--	(7,114)	(8,169)	(15,283)
(6)	--	--	--	--	--	(6)	1,651	1,645
--	--	--	11	--	11	11	44	55
99	--	--	--	(4,961)	(4,961)	(4,862)	14,889	10,027
(61,751)	127,576	28,852	39,328	(15,095)	180,661	118,910	36,822	155,732
(200,818)	179,241	36,077	43,525	(94,659)	164,184	(36,634)	97,961	61,327





PERMANENT FUNDS

Permanent funds account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs. The City reports the following nonmajor permanent funds:

3M Maintenance Endowment Fund - Accounts for 3M Mitigation Land Endowment.

Ellis Library Trust Fund - Accounts for principal and interest income earned on the principal from the Ellis estate. This income is used for purchasing books on the subject of mental health.

Perpetual Care Fund - Accounts for revenues to be used for maintenance and care of cemeteries.



Permanent Funds
Combining Balance Sheet
September 30, 2021
(In thousands)

City of Austin, Texas
 Exhibit E-19

	3M			
	Maintenance	Ellis Library	Perpetual	
	Endowment	Trust	Care	Total
ASSETS				
Pooled investments and cash	\$ 50	9	1,011	1,070
Total assets	<u>50</u>	<u>9</u>	<u>1,011</u>	<u>1,070</u>
FUND BALANCES				
Nonspendable:				
Permanent funds	50	9	1,011	1,070
Total fund balances	<u>50</u>	<u>9</u>	<u>1,011</u>	<u>1,070</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50</u>	<u>9</u>	<u>1,011</u>	<u>1,070</u>

Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit E-20

	3M			Total
	Maintenance Endowment	Ellis Library Trust	Perpetual Care	
REVENUES				
Interest and other	\$ --	--	--	--
Total revenues	--	--	--	--
EXPENDITURES				
Current:				
Public recreation and culture	--	--	--	--
Total expenditures	--	--	--	--
Excess (deficiency) of revenues over (under) expenditures	--	--	--	--
Total other financing sources (uses)	--	--	--	--
Net change in fund balances	--	--	--	--
Fund balances at beginning of year	50	9	1,011	1,070
Fund balances at end of year	\$ 50	9	1,011	1,070





NONMAJOR ENTERPRISE FUNDS

Enterprise funds account for the acquisition, operations, and maintenance of the City's facilities and services that are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in these funds, including, but not limited to, administration, operations, and maintenance. The City reports the following nonmajor enterprise funds:

Austin Resource Recovery Fund – Accounts for activities involving collection and remediation of multiple residential and commercial waste streams.

Convention Center Fund – Accounts for activities related to the Convention Center and Palmer Events Center, as well as city-wide tourism.

Development Services Fund – Accounts for plan review, permit and inspection activities.

Drainage Fund – Accounts for activities including flood mitigation and water quality protection.

Golf Fund – Accounts for activities associated with the City-owned golf courses.

Transportation Fund – Accounts for activities involving street maintenance and repair, parking and mobility services.



Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2021
(In thousands)

	Austin Resource Recovery	Convention Center	Development Services
ASSETS			
Current assets:			
Cash	\$ 3	17	3
Pooled investments and cash	22,116	92,854	33,034
Pooled investments and cash - restricted	2,506	10,307	3,250
Total pooled investments and cash	24,622	103,161	36,284
Investments - restricted	--	8,243	--
Accounts receivable, net of allowance	14,464	354	--
Interest receivable	21	96	28
Inventories, at cost	--	61	--
Prepaid expenses	35	207	104
Total current assets	39,145	112,139	36,419
Noncurrent assets:			
Pooled investments and cash - restricted	--	116,129	--
Advances to other funds	--	--	--
Advances to other funds - restricted	5	26	--
Investments - restricted	--	10,263	--
Interest receivable - restricted	--	83	--
Depreciable capital assets, net	46,962	142,386	2,093
Nondepreciable capital assets	25,458	69,924	--
Total noncurrent assets	72,425	338,811	2,093
Total assets	111,570	450,950	38,512
DEFERRED OUTFLOWS OF RESOURCES			
	\$ 85,644	50,075	61,711

	<u>Drainage</u>	<u>Golf</u>	<u>Transportation</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash	1	5	2	31
Pooled investments and cash	191,314	1,515	37,300	378,133
Pooled investments and cash - restricted	--	--	--	16,063
Total pooled investments and cash	191,314	1,515	37,300	394,196
Investments - restricted	--	--	--	8,243
Accounts receivable, net of allowance	6,037	1	10,055	30,911
Interest receivable	171	2	30	348
Inventories, at cost	--	--	4,587	4,648
Prepaid expenses	175	41	503	1,065
Total current assets	<u>197,698</u>	<u>1,564</u>	<u>52,477</u>	<u>439,442</u>
Noncurrent assets:				
Pooled investments and cash - restricted	17,981	622	--	134,732
Advances to other funds	79	--	--	79
Advances to other funds - restricted	--	--	--	31
Investments - restricted	--	--	--	10,263
Interest receivable - restricted	--	--	--	83
Depreciable capital assets, net	132,557	9,149	17,848	350,995
Nondepreciable capital assets	374,996	6,290	2,934	479,602
Total noncurrent assets	<u>525,613</u>	<u>16,061</u>	<u>20,782</u>	<u>975,785</u>
Total assets	<u>723,311</u>	<u>17,625</u>	<u>73,259</u>	<u>1,415,227</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>52,561</u>	<u>4,998</u>	<u>98,828</u>	<u>353,817</u>

(Continued)

Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2021
(In thousands)

	Austin Resource Recovery	Convention Center	Development Services
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,999	6,213	328
Accounts and retainage payable from restricted assets	--	22	--
Accrued payroll	2,756	1,165	2,223
Accrued compensated absences	2,455	1,423	2,466
Due to other funds	--	--	--
Accrued interest payable from restricted assets	--	466	--
Interest payable on other debt	282	34	--
Bonds payable	3,068	1,522	--
Bonds payable from restricted assets	--	9,610	--
Other postemployment benefits liability	2,784	1,288	1,813
Customer and escrow deposits payable from restricted assets	2,506	3,630	3,250
Accrued landfill closure and postclosure costs	855	--	--
Other liabilities	--	--	1,374
Total current liabilities	17,705	25,373	11,454
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	784	270	--
Advances from other funds	112	--	--
Bonds payable, net of discount and inclusive of premium	18,893	95,669	--
Net pension liability	70,729	35,139	56,463
Other postemployment benefits liability	188,022	86,944	122,493
Accrued landfill closure and postclosure costs	18,944	--	--
Derivative instruments - interest rate swaps	--	7,107	--
Total noncurrent liabilities	297,484	225,129	178,956
Total liabilities	315,189	250,502	190,410
DEFERRED INFLOWS OF RESOURCES			
	17,132	7,798	13,490
NET POSITION			
Net investment in capital assets	51,311	113,846	2,093
Restricted for:			
Bond reserve	--	7,269	--
Capital projects	--	116,211	--
Debt service	5	7,814	--
Operating reserve	--	5,420	--
Renewal and replacement	--	540	--
Unrestricted	(186,423)	(8,375)	(105,770)
Total net position	(135,107)	242,725	(103,677)
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	11,473	4,518	1,987
Total net position - Business-type activities	\$ (123,634)	247,243	(101,690)

(Continued)

	Drainage	Golf	Transportation	Total
LIABILITIES				
Current liabilities:				
Accounts payable	876	108	3,174	13,698
Accounts and retainage payable from restricted assets	6,249	19	--	6,290
Accrued payroll	1,865	229	3,694	11,932
Accrued compensated absences	1,869	220	3,625	12,058
Due to other funds	--	--	301	301
Accrued interest payable from restricted assets	--	--	--	466
Interest payable on other debt	113	--	52	481
Bonds payable	2,452	--	1,391	8,433
Bonds payable from restricted assets	--	--	--	9,610
Other postemployment benefits liability	1,610	178	2,898	10,571
Customer and escrow deposits payable from restricted assets	302	--	--	9,688
Accrued landfill closure and postclosure costs	--	--	--	855
Other liabilities	--	--	--	1,374
Total current liabilities	15,336	754	15,135	85,757
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	627	86	583	2,350
Advances from other funds	79	--	902	1,093
Bonds payable, net of discount and inclusive of premium	28,310	--	3,723	146,595
Net pension liability	48,804	4,505	86,195	301,835
Other postemployment benefits liability	108,787	11,992	195,732	713,970
Accrued landfill closure and postclosure costs	--	--	--	18,944
Derivative instruments - interest rate swaps	--	--	--	7,107
Total noncurrent liabilities	186,607	16,583	287,135	1,191,894
Total liabilities	201,943	17,337	302,270	1,277,651
DEFERRED INFLOWS OF RESOURCES	10,251	1,024	18,304	67,999
NET POSITION				
Net investment in capital assets	470,550	15,420	15,667	668,887
Restricted for:				
Bond reserve	--	--	--	7,269
Capital projects	17,679	622	--	134,512
Debt service	--	--	--	7,819
Operating reserve	--	--	--	5,420
Renewal and replacement	--	--	--	540
Unrestricted	75,449	(11,780)	(164,154)	(401,053)
Total net position	563,678	4,262	(148,487)	423,394
Reconciliation to government-wide Statement of Net Position				
Adjustment to consolidate internal service activities	4,748	663	8,760	32,149
Total net position - Business-type activities	568,426	4,925	(139,727)	455,543

Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2021
(In thousands)

	<u>Austin Resource Recovery</u>	<u>Convention Center</u>	<u>Development Services</u>
OPERATING REVENUES			
User fees and rentals	\$ 131,414	6,018	60,263
Total operating revenues	<u>131,414</u>	<u>6,018</u>	<u>60,263</u>
OPERATING EXPENSES			
Operating expenses before depreciation	143,288	53,022	73,368
Depreciation and amortization	10,055	8,566	469
Total operating expenses	<u>153,343</u>	<u>61,588</u>	<u>73,837</u>
Operating income (loss)	<u>(21,929)</u>	<u>(55,570)</u>	<u>(13,574)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	75	5	1
Interest on revenue bonds and other debt	(339)	(3,911)	--
Other nonoperating revenue (expense)	(56)	(395)	(13)
Total nonoperating revenues (expenses)	<u>(320)</u>	<u>(4,301)</u>	<u>(12)</u>
Income (loss) before contributions and transfers	(22,249)	(59,871)	(13,586)
Capital contributions	45	--	--
Transfers in	--	49,232	9,035
Transfers out	(630)	(5,645)	(1,118)
Change in net position	<u>(22,834)</u>	<u>(16,284)</u>	<u>(5,669)</u>
Beginning net position	<u>(112,273)</u>	<u>259,009</u>	<u>(98,008)</u>
Ending net position	<u>\$ (135,107)</u>	<u>242,725</u>	<u>(103,677)</u>
Reconciliation to government-wide Statement of Activities			
Change in net position	(22,834)	(16,284)	(5,669)
Adjustment to consolidate internal service activities	(2,070)	(91)	(945)
Change in net position - Business-type activities	<u>\$ (24,904)</u>	<u>(16,375)</u>	<u>(6,614)</u>

	<u>Drainage</u>	<u>Golf</u>	<u>Transportation</u>	<u>Total</u>
OPERATING REVENUES				
User fees and rentals	99,221	10,281	137,125	444,322
Total operating revenues	<u>99,221</u>	<u>10,281</u>	<u>137,125</u>	<u>444,322</u>
OPERATING EXPENSES				
Operating expenses before depreciation	82,513	9,652	160,813	522,656
Depreciation and amortization	6,321	615	3,753	29,779
Total operating expenses	<u>88,834</u>	<u>10,267</u>	<u>164,566</u>	<u>552,435</u>
Operating income (loss)	<u>10,387</u>	<u>14</u>	<u>(27,441)</u>	<u>(108,113)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and other revenues	19	1	--	101
Interest on revenue bonds and other debt	(1,094)	--	(129)	(5,473)
Other nonoperating revenue (expense)	(5,576)	--	(314)	(6,354)
Total nonoperating revenues (expenses)	<u>(6,651)</u>	<u>1</u>	<u>(443)</u>	<u>(11,726)</u>
Income (loss) before contributions and transfers	3,736	15	(27,884)	(119,839)
Capital contributions	16,810	268	94	17,217
Transfers in	797	1,000	1,741	61,805
Transfers out	(1)	--	(7,185)	(14,579)
Change in net position	<u>21,342</u>	<u>1,283</u>	<u>(33,234)</u>	<u>(55,396)</u>
Beginning net position	<u>542,336</u>	<u>2,979</u>	<u>(115,253)</u>	<u>478,790</u>
Ending net position	<u><u>563,678</u></u>	<u><u>4,262</u></u>	<u><u>(148,487)</u></u>	<u><u>423,394</u></u>
Reconciliation to government-wide Statement of Activities				
Change in net position	21,342	1,283	(33,234)	(55,396)
Adjustment to consolidate internal service activities	950	(26)	(507)	(2,689)
Change in net position - Business-type activities	<u>22,292</u>	<u>1,257</u>	<u>(33,741)</u>	<u>(58,085)</u>

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)

	Austin Resource Recovery	Convention Center	Development Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 128,345	6,963	61,469
Cash received from other funds	388	--	--
Cash payments to suppliers for goods and services	(20,457)	(12,290)	(3,922)
Cash payments to other funds	(28,904)	(7,114)	(10,663)
Cash payments to employees for services	(60,401)	(25,342)	(43,460)
Net cash provided (used) by operating activities	18,971	(37,783)	3,424
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	--	49,232	9,035
Transfers out	(630)	(5,645)	(1,118)
Collections from other sources	--	--	--
Loans from other funds	--	--	--
Loan repayments to other funds	--	--	--
Loan repayments from other funds	179	--	--
Collections from other governments	154	--	--
Net cash provided (used) by noncapital financing activities	(297)	43,587	7,917
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of general obligation bonds and other tax-supported debt	4,260	--	--
Principal paid on long-term debt	(3,759)	(11,033)	--
Interest paid on revenue bonds and other debt	(987)	(3,623)	--
Acquisition and construction of capital assets	(17,617)	(16,637)	(488)
Contributions from state and federal governments	45	--	--
Contributions in aid of construction	--	--	--
Bond issuance costs	(7)	--	--
Bond premiums	1,769	--	--
Bonds issued for advanced refundings of debt	3,998	--	--
Cash paid for bond refunding escrow	(4,996)	--	--
Net cash provided (used) by capital and related financing activities	(17,294)	(31,293)	(488)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	--	(13,322)	--
Proceeds from sale and maturities of investment securities	--	13,396	--
Interest on investments	93	217	10
Net cash provided (used) by investing activities	93	291	10
Net increase (decrease) in cash and cash equivalents	1,473	(25,198)	10,863
Cash and cash equivalents, beginning	23,152	244,505	25,424
Cash and cash equivalents, ending	\$ 24,625	219,307	36,287

	Drainage	Golf	Transportation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	95,555	10,280	135,601	438,213
Cash received from other funds	3,340	--	192	3,920
Cash payments to suppliers for goods and services	(15,733)	(2,263)	(39,565)	(94,230)
Cash payments to other funds	(14,313)	(1,341)	(24,841)	(87,176)
Cash payments to employees for services	(37,889)	(4,840)	(71,966)	(243,898)
Net cash provided (used) by operating activities	30,960	1,836	(579)	16,829
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	797	1,000	1,741	61,805
Transfers out	(1)	--	(7,004)	(14,398)
Collections from other sources	6,875	--	236	7,111
Loans from other funds	3	--	--	3
Loan repayments to other funds	--	(1,506)	(301)	(1,807)
Loan repayments from other funds	1,506	--	--	1,685
Collections from other governments	81	--	41	276
Net cash provided (used) by noncapital financing activities	9,261	(506)	(5,287)	54,675
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the sale of general obligation bonds and other tax-supported debt	--	--	--	4,260
Principal paid on long-term debt	(2,595)	--	(2,329)	(19,716)
Interest paid on revenue bonds and other debt	(1,463)	--	(271)	(6,344)
Acquisition and construction of capital assets	(35,965)	(39)	(3,210)	(73,956)
Contributions from state and federal governments	--	--	--	45
Contributions in aid of construction	4,774	268	--	5,042
Bond issuance costs	--	--	(1)	(8)
Bond premiums	--	--	117	1,886
Bonds issued for advanced refundings of debt	--	--	526	4,524
Cash paid for bond refunding escrow	--	--	(650)	(5,646)
Net cash provided (used) by capital and related financing activities	(35,249)	229	(5,818)	(89,913)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	--	--	--	(13,322)
Proceeds from sale and maturities of investment securities	--	--	--	13,396
Interest on investments	183	(1)	31	533
Net cash provided (used) by investing activities	183	(1)	31	607
Net increase (decrease) in cash and cash equivalents	5,155	1,558	(11,653)	(17,802)
Cash and cash equivalents, beginning	204,141	584	48,955	546,761
Cash and cash equivalents, ending	209,296	2,142	37,302	528,959

(Continued)

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)

	<u>Austin Resource Recovery</u>	<u>Convention Center</u>	<u>Development Services</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (21,929)	(55,570)	(13,574)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	10,055	8,566	469
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(3,622)	(295)	--
Increase (decrease) in allowance for doubtful accounts	489	--	--
(Increase) decrease in inventory	--	(1)	--
(Increase) decrease in prepaid expenses and other assets	119	(8)	180
(Increase) decrease in deferred outflows	(20,338)	(5,684)	(9,312)
Increase (decrease) in accounts payable	1,169	(1,084)	(69)
Increase (decrease) in accrued payroll and compensated absences	574	165	658
Increase (decrease) in customer deposits	452	1,240	(25)
Increase (decrease) in net pension liability	(1,804)	(2,141)	(3,123)
Increase (decrease) in other postemployment benefits liability	43,969	16,740	26,531
Increase (decrease) in other liabilities	8,883	(18)	1,231
Increase (decrease) in deferred inflows	954	307	458
Total adjustments	<u>40,900</u>	<u>17,787</u>	<u>16,998</u>
Net cash provided (used) by operating activities	<u>\$ 18,971</u>	<u>(37,783)</u>	<u>3,424</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Capital assets contributed from other funds	\$ --	--	--
Capital assets contributed to other funds	--	(47)	--
Amortization of bond (discounts) premiums	708	298	--
Amortization of deferred gain (loss) on refundings	(15)	(639)	--
Gain (loss) on disposal of assets	(203)	(348)	(14)
Transfers to other funds	--	--	--

(Continued)

	Drainage	Golf	Transportation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	10,387	14	(27,441)	(108,113)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	6,321	615	3,753	29,779
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(422)	(1)	(1,617)	(5,957)
Increase (decrease) in allowance for doubtful accounts	96	--	285	870
(Increase) decrease in inventory	--	--	(1,653)	(1,654)
(Increase) decrease in prepaid expenses and other assets	(106)	--	249	434
(Increase) decrease in deferred outflows	(10,312)	(830)	(15,859)	(62,335)
Increase (decrease) in accounts payable	54	99	(213)	(44)
Increase (decrease) in accrued payroll and compensated absences	628	52	1,194	3,271
Increase (decrease) in customer deposits	--	--	--	1,667
Increase (decrease) in net pension liability	(1,111)	(487)	1,807	(6,859)
Increase (decrease) in other postemployment benefits liability	24,536	2,357	37,423	151,556
Increase (decrease) in other liabilities	--	--	--	10,096
Increase (decrease) in deferred inflows	889	17	1,493	4,118
Total adjustments	20,573	1,822	26,862	124,942
Net cash provided (used) by operating activities	30,960	1,836	(579)	16,829
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital assets contributed from other funds	12,036	--	94	12,130
Capital assets contributed to other funds	(12,451)	--	(14)	(12,512)
Amortization of bond (discounts) premiums	385	--	101	1,492
Amortization of deferred gain (loss) on refundings	(24)	--	--	(678)
Gain (loss) on disposal of assets	--	--	(561)	(1,126)
Transfers to other funds	--	--	(181)	(181)





INTERNAL SERVICE FUNDS

Internal service funds account for and report the financing of goods or services provided by one department to other departments of the City and other agencies on a cost-reimbursement basis. The City reports the following internal service funds:

Capital Projects Management Fund – Accounts for project delivery costs related to the City's capital improvement projects.

Combined Transportation, Emergency and Communications Center Fund (CTECC) – Accounts for the operation of shared critical emergency communications and transportation management for the region.

Employee Benefits Fund – Accounts for activities related to the health, dental, and life insurance costs of City employees.

Fleet Maintenance Fund - Accounts for City vehicle and equipment services.

Information and Technology Fund – Accounts for the activities of the Communications and Technology Management Department.

Liability Reserve Fund – Accounts for coverage of the City's major claims liabilities.

Support Services Fund - Accounts for the activities of the various support service departments.

Wireless Communication Fund - Accounts for communication support activities.

Workers' Compensation Fund - Accounts for workers' compensation costs.



Internal Service Funds
Combining Statement of Net Position
September 30, 2021
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance	Information and Technology (1)
ASSETS					
Current assets:					
Cash	\$ --	--	--	--	--
Pooled investments and cash	2,942	2,209	121,758	15,604	20,829
Cash held by trustee - restricted	--	--	4,083	--	--
Accounts receivable, net of allowance	--	3,277	--	9	103
Interest receivable	2	2	--	19	17
Receivables from other governments	--	--	449	--	--
Inventories, at cost	--	--	--	2,454	--
Prepaid expenses	19	2,416	--	6	5,314
Total current assets	2,963	7,904	126,290	18,092	26,263
Noncurrent assets:					
Pooled investments and cash - restricted	--	--	--	5,955	--
Depreciable capital assets, net	579	15,538	--	11,086	13,528
Nondepreciable capital assets	--	32	--	1,078	--
Total noncurrent assets	579	15,570	--	18,119	13,528
Total assets	3,542	23,474	126,290	36,211	39,791
DEFERRED OUTFLOWS OF RESOURCES					
	--	--	--	150	--
LIABILITIES					
Current liabilities:					
Accounts payable	15	176	4,126	1,916	1,536
Accrued payroll	1,343	311	--	1,002	1,565
Accrued compensated absences	1,274	265	--	1,096	1,921
Claims payable	--	--	16,286	--	--
Accrued interest payable from restricted assets	--	--	--	5	--
Bonds payable	--	--	--	269	--
Capital lease obligations payable	--	--	--	--	--
Customer and escrow deposits payable from restricted assets	--	--	--	--	--
Other liabilities	--	--	3,994	--	--
Total current liabilities	2,632	752	24,406	4,288	5,022
Noncurrent liabilities, net of current portion:					
Accrued compensated absences	432	189	--	--	182
Claims payable	--	--	--	--	--
Bonds payable, net of discount and inclusive of premium	--	--	--	1,117	--
Capital lease obligations payable	--	--	--	--	--
Asset retirement obligations	--	--	--	518	--
Total noncurrent liabilities	432	189	--	1,635	182
Total liabilities	3,064	941	24,406	5,923	5,204
NET POSITION					
Net investment in capital assets	579	15,570	--	10,778	13,528
Restricted for:					
Capital projects	--	--	--	5,955	--
Unrestricted	(101)	6,963	101,884	13,705	21,059
Total net position	\$ 478	22,533	101,884	30,438	34,587

(1) Previously reported as Information Systems.

	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	Total
ASSETS					
Current assets:					
Cash	--	7	--	--	7
Pooled investments and cash	12,243	50,438	225	38,725	264,973
Cash held by trustee - restricted	--	--	--	--	4,083
Accounts receivable, net of allowance	--	140	626	--	4,155
Interest receivable	--	19	--	--	59
Receivables from other governments	--	1	--	--	450
Inventories, at cost	--	--	513	--	2,967
Prepaid expenses	--	513	80	--	8,348
Total current assets	12,243	51,118	1,444	38,725	285,042
Noncurrent assets:					
Pooled investments and cash - restricted	--	--	--	--	5,955
Depreciable capital assets, net	--	3,160	22,587	--	66,478
Nondepreciable capital assets	--	21	262	--	1,393
Total noncurrent assets	--	3,181	22,849	--	73,826
Total assets	12,243	54,299	24,293	38,725	358,868
DEFERRED OUTFLOWS OF RESOURCES					
	--	--	--	--	150
LIABILITIES					
Current liabilities:					
Accounts payable	314	10,553	218	278	19,132
Accrued payroll	--	5,426	245	--	9,892
Accrued compensated absences	--	5,301	243	--	10,100
Claims payable	24,230	--	--	8,584	49,100
Accrued interest payable from restricted assets	--	--	--	--	5
Bonds payable	--	--	--	--	269
Capital lease obligations payable	--	--	2,043	--	2,043
Customer and escrow deposits payable from restricted assets	--	698	--	--	698
Other liabilities	--	10	683	--	4,687
Total current liabilities	24,544	21,988	3,432	8,862	95,926
Noncurrent liabilities, net of current portion:					
Accrued compensated absences	--	1,802	--	--	2,605
Claims payable	2,376	--	--	34,910	37,286
Bonds payable, net of discount and inclusive of premium	--	--	--	--	1,117
Capital lease obligations payable	--	--	2,115	--	2,115
Asset retirement obligations	--	--	--	--	518
Total noncurrent liabilities	2,376	1,802	2,115	34,910	43,641
Total liabilities	26,920	23,790	5,547	43,772	139,567
NET POSITION					
Net investment in capital assets	--	3,181	18,691	--	62,327
Restricted for:					
Capital projects	--	--	--	--	5,955
Unrestricted	(14,677)	27,328	55	(5,047)	151,169
Total net position	(14,677)	30,509	18,746	(5,047)	219,451

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2021
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance	Information and Technology (1)
OPERATING REVENUES					
Billings to departments	\$ 31,519	19,112	130,463	51,782	80,195
Employee contributions	--	--	45,323	--	--
Operating revenues from other governments	--	5,107	--	2	--
Other operating revenues	4,770	--	2,143	1,337	437
Total operating revenues	36,289	24,219	177,929	53,121	80,632
OPERATING EXPENSES					
Operating expenses before depreciation	34,630	18,251	190,764	51,442	69,150
Depreciation and amortization	121	2,193	--	1,114	3,712
Total operating expenses	34,751	20,444	190,764	52,556	72,862
Operating income (loss)	1,538	3,775	(12,835)	565	7,770
NONOPERATING REVENUES (EXPENSES)					
Interest and other revenues	2	8	--	45	38
Interest on revenue bonds and other debt	--	--	--	(77)	--
Other nonoperating revenues (expenses)	(1)	(302)	(291)	(121)	(475)
Total nonoperating revenues (expenses)	1	(294)	(291)	(153)	(437)
Income (loss) before contributions and transfers	1,539	3,481	(13,126)	412	7,333
Capital contributions	--	542	--	1,496	2,077
Transfers in	181	--	--	--	--
Transfers out	(281)	(4,093)	--	--	(6,861)
Change in net position	1,439	(70)	(13,126)	1,908	2,549
Beginning net position	(961)	22,603	115,010	28,530	32,038
Ending net position	\$ 478	22,533	101,884	30,438	34,587

(1) Previously reported as Information Systems.

	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	Total
OPERATING REVENUES					
Billings to departments	3,982	169,633	10,155	10,521	507,362
Employee contributions	--	--	--	--	45,323
Operating revenues from other governments	--	56	235	--	5,400
Other operating revenues	1	1,123	3,340	--	13,151
Total operating revenues	3,983	170,812	13,730	10,521	571,236
OPERATING EXPENSES					
Operating expenses before depreciation	30,087	158,299	13,677	25,755	592,055
Depreciation and amortization	--	412	6,221	--	13,773
Total operating expenses	30,087	158,711	19,898	25,755	605,828
Operating income (loss)	(26,104)	12,101	(6,168)	(15,234)	(34,592)
NONOPERATING REVENUES (EXPENSES)					
Interest and other revenues	--	38	6	--	137
Interest on revenue bonds and other debt	--	--	--	--	(77)
Other nonoperating revenues (expenses)	(20)	(56)	(11)	(83)	(1,360)
Total nonoperating revenues (expenses)	(20)	(18)	(5)	(83)	(1,300)
Income (loss) before contributions and transfers	(26,124)	12,083	(6,173)	(15,317)	(35,892)
Capital contributions	--	206	463	--	4,784
Transfers in	--	--	168	--	349
Transfers out	--	(3,281)	(1,884)	--	(16,400)
Change in net position	(26,124)	9,008	(7,426)	(15,317)	(47,159)
Beginning net position	11,447	21,501	26,172	10,270	266,610
Ending net position	(14,677)	30,509	18,746	(5,047)	219,451

Internal Service Funds
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)

	Capital Projects		Employee	Fleet	Information and
	Management	CTECC	Benefits	Maintenance	Technology (1)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 4,770	3,778	47,269	1,341	334
Cash received from other funds	31,519	19,112	130,463	51,782	80,195
Cash payments to suppliers for goods and services	(4,432)	(11,032)	(13,507)	(23,374)	(40,841)
Cash payments to other funds	(2,664)	(358)	(2,587)	(6,462)	(460)
Cash payments to employees for services	(26,868)	(7,161)	--	(21,079)	(33,071)
Cash payments to claimants/beneficiaries	--	--	(173,296)	--	--
Net cash provided (used) by operating activities	2,325	4,339	(11,658)	2,208	6,157
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out	(281)	(4,093)	--	--	(6,861)
Net cash provided (used) by noncapital financing activities	(281)	(4,093)	--	--	(6,861)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on long-term debt	--	--	--	(423)	--
Interest paid on revenue bonds and other debt	--	--	--	(79)	--
Acquisition and construction of capital assets	(21)	--	--	(1,740)	(202)
Net cash provided (used) by capital and related financing activities	(21)	--	--	(2,242)	(202)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	1	4	(291)	5	4
Net cash provided (used) by investing activities	1	4	(291)	5	4
Net increase (decrease) in cash and cash equivalents	2,024	250	(11,949)	(29)	(902)
Cash and cash equivalents, beginning	918	1,959	137,790	21,588	21,731
Cash and cash equivalents, ending	\$ 2,942	2,209	125,841	21,559	20,829

(1) Previously reported as Information Systems.

	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	1	1,118	3,687	--	62,298
Cash received from other funds	3,982	169,633	10,155	10,521	507,362
Cash payments to suppliers for goods and services	(1,104)	(12,826)	(7,571)	(3,334)	(118,021)
Cash payments to other funds	(363)	(32,972)	(868)	(1,910)	(48,644)
Cash payments to employees for services	--	(107,934)	(5,073)	--	(201,186)
Cash payments to claimants/beneficiaries	(3,920)	--	--	(5,444)	(182,660)
Net cash provided (used) by operating activities	(1,404)	17,019	330	(167)	19,149
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out	--	(3,281)	(1,884)	--	(16,400)
Net cash provided (used) by noncapital financing activities	--	(3,281)	(1,884)	--	(16,400)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on long-term debt	--	(14)	(1,973)	--	(2,410)
Interest paid on revenue bonds and other debt	--	--	--	--	(79)
Acquisition and construction of capital assets	--	(185)	--	--	(2,148)
Net cash provided (used) by capital and related financing activities	--	(199)	(1,973)	--	(4,637)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	(20)	(4)	(1)	(83)	(385)
Net cash provided (used) by investing activities	(20)	(4)	(1)	(83)	(385)
Net increase (decrease) in cash and cash equivalents	(1,424)	13,535	(3,528)	(250)	(2,273)
Cash and cash equivalents, beginning	13,667	36,910	3,753	38,975	277,291
Cash and cash equivalents, ending	12,243	50,445	225	38,725	275,018

(Continued)

Internal Service Funds
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance	Information and Technology (1)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 1,538	3,775	(12,835)	565	7,770
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	121	2,193	--	1,114	3,712
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	--	(1,329)	--	2	(103)
(Increase) decrease in receivable from other governments	--	--	(197)	--	--
(Increase) decrease in inventory	--	--	--	(790)	--
(Increase) decrease in prepaid expenses and other assets	243	(328)	--	47	(782)
(Increase) decrease in advance to other funds	--	--	--	2	--
Increase (decrease) in accounts payable	10	(51)	2,067	1,050	(4,438)
Increase (decrease) in accrued payroll and compensated absences	413	79	--	218	(2)
Increase (decrease) in claims payable	--	--	(2,336)	--	--
Increase (decrease) in customer deposits	--	--	--	--	--
Increase (decrease) in other liabilities	--	--	1,643	--	--
Total adjustments	787	564	1,177	1,643	(1,613)
Net cash provided (used) by operating activities	\$ 2,325	4,339	(11,658)	2,208	6,157
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital assets contributed from other funds	\$ --	542	--	1,496	2,077
Amortization of bond (discounts) premiums	--	--	--	23	--
Amortization of deferred gain (loss) on refundings	--	--	--	(22)	--
Gain (loss) on disposal of assets	--	(298)	--	(73)	(475)
Transfers from other funds	181	--	--	--	--

(1) Previously reported as Information Systems.

(Continued)

	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	(26,104)	12,101	(6,168)	(15,234)	(34,592)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	--	412	6,221	--	13,773
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	--	(65)	112	--	(1,383)
(Increase) decrease in receivable from other governments	--	4	--	--	(193)
(Increase) decrease in inventory	--	--	78	--	(712)
(Increase) decrease in prepaid expenses and other assets	--	(38)	(21)	--	(879)
(Increase) decrease in advance to other funds	--	--	--	--	2
Increase (decrease) in accounts payable	252	3,143	(175)	(85)	1,773
Increase (decrease) in accrued payroll and compensated absences	--	1,441	(1)	--	2,148
Increase (decrease) in claims payable	24,448	--	--	15,152	37,264
Increase (decrease) in customer deposits	--	11	--	--	11
Increase (decrease) in other liabilities	--	10	284	--	1,937
Total adjustments	24,700	4,918	6,498	15,067	53,741
Net cash provided (used) by operating activities	(1,404)	17,019	330	(167)	19,149
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Capital assets contributed from other funds	--	206	463	--	4,784
Amortization of bond (discounts) premiums	--	--	--	--	23
Amortization of deferred gain (loss) on refundings	--	--	--	--	(22)
Gain (loss) on disposal of assets	--	--	--	--	(846)
Transfers from other funds	--	--	168	--	349





FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee capacity for other agencies, individuals, private organizations, or governmental units. The City does not hold these funds in a dedicated trust fund but utilizes custodial funds on behalf of other entities or persons to whom the funds will ultimately be disbursed. These custodial funds are considered fiduciary funds.

The City reports the following custodial funds:

Municipal Court Fund - Accounts for and reports service fees collected at Municipal Court that will be remitted to the State Comptroller of Public Accounts.

Public School Energy Assistance Fund - Accounts for and reports contributions for the benefit of public schools energy bills. Contributions are received with electric bill payments.

Science Fest Fund - Accounts for and reports all contributions, registration fees and other donations received for the Regional Science Festival.

Unclaimed Property Fund - Accounts for and reports unclaimed City of Austin checks.

Fiduciary Funds
Custodial Funds
Combining Statement of Fiduciary Net Position
September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit H-1

	<u>Municipal Court</u>	<u>Public School Energy Assistance</u>	<u>Science Fest</u>	<u>Unclaimed Property</u>	<u>Total</u>
ASSETS					
Pooled investments and cash	\$ 526	16	104	2,016	2,662
Total assets	<u>526</u>	<u>16</u>	<u>104</u>	<u>2,016</u>	<u>2,662</u>
LIABILITIES					
Accounts payable	4	15	--	--	19
Due to other governments	522	--	--	--	522
Total liabilities	<u>526</u>	<u>15</u>	<u>--</u>	<u>--</u>	<u>541</u>
NET POSITION					
Restricted for:					
Individuals, organizations and other governments	--	1	104	2,016	2,121
Total net position	<u>\$ --</u>	<u>1</u>	<u>104</u>	<u>2,016</u>	<u>2,121</u>

Fiduciary Funds
Custodial Funds
Combining Statement of Changes in Fiduciary Net Position
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit H-2

	Municipal Court	Public School Energy Assistance	Science Fest	Unclaimed Property	Total
ADDITIONS					
Contributions	\$ --	24	4	--	28
Interest and other	--	--	--	4	4
Fees collected for other governments	1,724	--	--	--	1,724
Miscellaneous	--	--	--	88	88
Total additions	1,724	24	4	92	1,844
DEDUCTIONS					
Beneficiary payments	--	25	4	--	29
Payment of fees to other governments	1,724	--	1	--	1,725
Administrative expenses	--	--	--	1	1
Total deductions	1,724	25	5	1	1,755
Change in net position	--	(1)	(1)	91	89
Beginning net position, as restated	--	2	105	1,925	2,032
Ending net position	\$ --	1	104	2,016	2,121



DISCRETELY PRESENTED COMPONENT UNITS

The City reports the following discretely presented component units:

Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) – This legally separate entity issues revenue bonds to finance the cost of acquiring, improving, equipping a full-service hotel on the airport property.

Austin Convention Enterprises, Inc (ACE) – This legally separate entity owns, operates, and finances the Austin Convention Center Hotel.

Austin Economic Development Corporation (AEDC) – This legally separate entity will engage in and support socially beneficial real estate and economic development within the City.

Austin Transit Partnership Local Government Corporation (ATP) – This legally separate entity is responsible for the implementation of the Project Connect System Plan. Project Connect will create an integrated system that will improve transportation by addressing the needs for safer, faster, and more reliable transit.

Austin Travis County Sobriety Center Local Government Corporation (SCLGC) – This legally separate entity was created to operate a sobriety center located within the City of Austin and Travis County.



**Discretely Presented Component Units
Combining Statement of Net Position
September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-1**

	Austin Bergstrom Landhost Enterprises, Inc. (1)	Austin Convention Enterprises, Inc. (1)	Austin Economic Development Corporation
ASSETS			
Current Assets:			
Cash	\$ 834	3,213	45
Accounts receivable, net of allowance	114	931	--
Receivables from other governments - restricted	1,561	--	--
Inventories, at cost	32	141	--
Prepaid expenses	77	835	--
Total current assets	2,618	5,120	45
Noncurrent assets:			
Investments - restricted	--	43,804	--
Cash held by trustee - restricted	5,686	--	--
Depreciable capital assets, net	33,600	160,430	--
Nondepreciable capital assets	682	9,971	--
Other long-term assets	32	--	--
Total noncurrent assets	40,000	214,205	--
Total assets	42,618	219,325	45
DEFERRED OUTFLOWS OF RESOURCES			
	--	12,605	--
LIABILITIES			
Current liabilities:			
Accounts payable	908	3,428	--
Accrued payroll	141	--	8
Accrued interest payable from restricted assets	542	4,381	--
Bonds payable	49,102	8,940	--
Other liabilities	3,818	1,227	37
Total current liabilities	54,511	17,976	45
Noncurrent liabilities, net of current portion:			
Bonds payable, net of discount and inclusive of premium	22	182,570	--
Other liabilities	162	103	--
Total noncurrent liabilities	184	182,673	--
Total liabilities	54,695	200,649	45
DEFERRED INFLOWS OF RESOURCES			
	--	911	--
NET POSITION			
Net investment in capital assets	(7,577)	13,317	--
Restricted for:			
Debt service	2,518	16,691	--
Housing activities	--	--	--
Unrestricted (deficit)	(7,018)	362	--
Total net position	\$ (12,077)	30,370	--

(1) Data as of December 31, 2020, the fiscal year end for this component unit. See Note 1 for additional information about how to obtain the separately audited financial statements for this component unit.

**Discretely Presented Component Units
Combining Statement of Net Position
September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-1**

	Austin Transit Partnership Local Government Corporation	Austin Travis County Sobriety Center Local Government Corporation	Total
ASSETS			
Current Assets:			
Cash	215,438	275	219,805
Accounts receivable, net of allowance	295	--	1,340
Receivables from other governments - restricted	--	--	1,561
Inventories, at cost	--	--	173
Prepaid expenses	1,350	1	2,263
Total current assets	217,083	276	225,142
Noncurrent assets:			
Investments - restricted	--	--	43,804
Cash held by trustee - restricted	--	--	5,686
Depreciable capital assets, net	--	163	194,193
Nondepreciable capital assets	35,847	--	46,500
Other long-term assets	112	--	144
Total noncurrent assets	35,959	163	290,327
Total assets	253,042	439	515,469
DEFERRED OUTFLOWS OF RESOURCES			
	--	--	12,605
LIABILITIES			
Current liabilities:			
Accounts payable	2,104	14	6,454
Accrued payroll	--	68	217
Accrued interest payable from restricted assets	--	--	4,923
Bonds payable	--	--	58,042
Other liabilities	46,252	3	51,337
Total current liabilities	48,356	85	120,973
Noncurrent liabilities, net of current portion:			
Bonds payable, net of discount and inclusive of premium	--	--	182,592
Other liabilities	--	--	265
Total noncurrent liabilities	--	--	182,857
Total liabilities	48,356	85	303,830
DEFERRED INFLOWS OF RESOURCES			
	--	--	911
NET POSITION			
Net investment in capital assets	35,847	163	41,750
Restricted for:			
Debt service	--	--	19,209
Housing activities	23,000	--	23,000
Unrestricted (deficit)	145,839	191	139,374
Total net position	204,686	354	223,333

**Discretely Presented Component Units
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-2**

	Austin Bergstrom Landhost Enterprises, Inc. (1)	Austin Convention Enterprises, Inc. (1)	Austin Economic Development Corporation
OPERATING REVENUES			
User fees and rentals	\$ 5,302	21,652	--
Operating grants and contributions	--	--	--
Operating revenues from primary government	--	--	665
Other operating revenues	--	--	--
Total operating revenues	<u>5,302</u>	<u>21,652</u>	<u>665</u>
OPERATING EXPENSES			
Operating expenses before depreciation	6,909	23,522	665
Depreciation and amortization	1,488	12,812	--
Total operating expenses	<u>8,397</u>	<u>36,334</u>	<u>665</u>
Operating income (loss)	<u>(3,095)</u>	<u>(14,682)</u>	<u>--</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	79	130	--
Interest on revenue bonds and other debt	(1,643)	(7,562)	--
Other nonoperating revenue (expense)	1,561	2,943	--
Total nonoperating revenues (expenses)	<u>(3)</u>	<u>(4,489)</u>	<u>--</u>
Change in net position	(3,098)	(19,171)	--
Beginning net position	<u>(8,979)</u>	<u>49,541</u>	<u>--</u>
Ending net position	<u>\$ (12,077)</u>	<u>30,370</u>	<u>--</u>

(1) Data as of the year ended December 31, 2020, the fiscal year end for this component unit. See Note 1 for additional information about how to obtain the separately audited financial statements for this component unit.

**Discretely Presented Component Units
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-2**

	Austin Transit Partnership Local Government Corporation	Austin Travis County Sobriety Center Local Government Corporation	Total
OPERATING REVENUES			
User fees and rentals	--	--	26,954
Operating grants and contributions	23,000	51	23,051
Operating revenues from primary government	192,726	2,009	195,400
Other operating revenues	7	--	7
Total operating revenues	215,733	2,060	245,412
OPERATING EXPENSES			
Operating expenses before depreciation	11,047	1,881	44,024
Depreciation and amortization	--	46	14,346
Total operating expenses	11,047	1,927	58,370
Operating income (loss)	204,686	133	187,042
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	--	--	209
Interest on revenue bonds and other debt	--	--	(9,205)
Other nonoperating revenue (expense)	--	--	4,504
Total nonoperating revenues (expenses)	--	--	(4,492)
Change in net position	204,686	133	182,550
Beginning net position	--	221	40,783
Ending net position	204,686	354	223,333

**Discretely Presented Component Units
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-3**

	Austin Bergstrom Landhost Enterprises, Inc. (1)	Austin Convention Enterprises, Inc. (1)	Austin Economic Development Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 5,452	23,286	--
Cash payments to suppliers for goods and services	(3,802)	(19,660)	(628)
Cash payments to employees for services	(2,622)	(7,419)	8
Cash received from other governments	--	--	665
Cash received from donors	--	--	--
Net cash provided (used) by operating activities	<u>(972)</u>	<u>(3,793)</u>	<u>45</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Payment to primary government	--	(2,000)	--
Proceeds from Paycheck Protection Program Loan	908	--	--
Interest paid on long-term debt	(47)	--	--
Principal paid on long-term debt	(20)	--	--
Net cash provided (used) by noncapital financing activities	<u>841</u>	<u>(2,000)</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on long-term debt	(923)	(8,520)	--
Interest paid on revenue bonds and other debt	(2,175)	(4,901)	--
Acquisition and construction of capital assets	(9,918)	(4,540)	--
Net cash provided (used) by capital and related financing activities	<u>(13,016)</u>	<u>(17,961)</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchase) sale of investment securities	--	19,560	--
Interest on investments	89	130	--
Net cash provided (used) by investing activities	<u>89</u>	<u>19,690</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	(13,058)	(4,064)	45
Cash and cash equivalents, beginning	19,578	7,277	--
Cash and cash equivalents, ending	<u>\$ 6,520</u>	<u>3,213</u>	<u>45</u>

(1) Data as of the year ended December 31, 2020, the fiscal year end for this component unit. See Note 1 for additional information about how to obtain the separately audited financial statements for this component unit.

**Discretely Presented Component Units
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-3**

	Austin Travis County Sobriety Center Local Government Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	--	28,738
Cash payments to suppliers for goods and services	(597)	(24,687)
Cash payments to employees for services	(1,366)	(11,399)
Cash received from other governments	2,009	2,674
Cash received from donors	51	51
Net cash provided (used) by operating activities	97	(4,623)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment to primary government	--	(2,000)
Proceeds from Paycheck Protection Program Loan	--	908
Interest paid on long-term debt	--	(47)
Principal paid on long-term debt	--	(20)
Net cash provided (used) by noncapital financing activities	--	(1,159)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on long-term debt	--	(9,443)
Interest paid on revenue bonds and other debt	--	(7,076)
Acquisition and construction of capital assets	(26)	(14,484)
Net cash provided (used) by capital and related financing activities	(26)	(31,003)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) sale of investment securities	--	19,560
Interest on investments	--	219
Net cash provided (used) by investing activities	--	19,779
Net increase (decrease) in cash and cash equivalents	71	(17,006)
Cash and cash equivalents, beginning	204	27,059
Cash and cash equivalents, ending	275	10,053

(Continued)

**Discretely Presented Component Units
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-3**

	Austin Bergstrom Landhost Enterprises, Inc. (1)	Austin Convention Enterprises, Inc. (1)	Austin Economic Development Corporation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (3,095)	(14,682)	--
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,488	12,812	--
Subordinated management fee	--	869	--
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	150	1,634	--
(Increase) decrease in inventory	20	16	--
(Increase) decrease in prepaid expenses and other assets	(8)	641	--
Increase (decrease) in accounts payable	171	432	--
Increase (decrease) in accrued payroll and compensated absences	(51)	--	8
Increase (decrease) in other liabilities	353	(5,515)	37
Total adjustments	<u>2,123</u>	<u>10,889</u>	<u>45</u>
Net cash provided (used) by operating activities	<u>\$ (972)</u>	<u>(3,793)</u>	<u>45</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Amortization of bond (discounts) premiums	\$ --	2,131	--
Amortization of deferred gain (loss) on refundings	--	(930)	--
Increase in deferred credits and other liabilities	--	597	--
General obligation bonds and other tax supported debt proceeds receivable	1,561	--	--

(1) Data as of the year ended December 31, 2020, the fiscal year end for this component unit. See Note 1 for additional information about how to obtain the separately audited financial statements for this component unit.

**Discretely Presented Component Units
Combining Statement of Cash Flows
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit I-3**

(Continued)

	Austin Travis County Sobriety Center Local Government Corporation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	133	(17,644)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	46	14,346
Subordinated management fee	--	869
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	--	1,784
(Increase) decrease in inventory	--	36
(Increase) decrease in prepaid expenses and other assets	4	637
Increase (decrease) in accounts payable	(87)	516
Increase (decrease) in accrued payroll and compensated absences	(2)	(45)
Increase (decrease) in other liabilities	3	(5,122)
Total adjustments	(36)	13,021
Net cash provided (used) by operating activities	97	(4,623)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Amortization of bond (discounts) premiums	--	2,131
Amortization of deferred gain (loss) on refundings	--	(930)
Increase in deferred credits and other liabilities	--	597
General obligation bonds and other tax supported debt proceeds receivable	--	1,561





SUPPLEMENTAL SCHEDULES

Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit J-1

The General Fund, as reported in the financial statements, is comprised of seventeen separately budgeted funds in the City's legally adopted budget: the Budgetary General Fund (represented as the General Fund in the City's budget document) plus APD Decouple, APD Re-imagine Safety, Barton Springs Conservation, Budget Stabilization Reserve, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Housing and Planning Technology, Iconic Venue, Long Center Capital Improvements, Music Venue Assistance Program, Neighborhood Housing-Housing Trust, Pay for Success, Property Tax Reserve, and Seaholm Parking Garage Revenue. RSI reflects the budgetary comparison for the consolidated General Fund. Below are the budgetary comparisons for each of the seventeen funds.

Budgetary General Fund	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Taxes	\$ 860,698	100	860,798	809,105	809,105	51,693
Franchise fees	26,189	14	26,203	27,488	27,488	(1,285)
Fines, forfeitures and penalties	4,607	--	4,607	7,482	7,482	(2,875)
Licenses, permits and inspections	16,550	(26)	16,524	16,529	16,529	(5)
Charges for services/goods	57,278	(3,160)	54,118	63,594	63,594	(9,476)
Interest and other	14,465	(9,807)	4,658	6,201	6,201	(1,543)
Total revenues	979,787	(12,879)	966,908	930,399	930,399	36,509
EXPENDITURES						
General government						
Municipal Court	30,978	1,859	32,837	33,253	33,253	416
Public safety						
Emergency Communications	16,084	--	16,084	--	16,087	3
Emergency Medical Services	87,794	12,419	100,213	102,002	102,002	1,789
Fire	189,218	23,362	212,580	215,186	215,186	2,606
Forensic Science	11,908	--	11,908	--	11,908	--
Police	238,663	70,503	309,166	292,949	309,707	541
Public health						
Animal Services	12,649	2,644	15,293	16,047	16,047	754
Public Health	45,884	6,495	52,379	51,636	51,636	(743)
Social Services	40,499	10,859	51,358	51,379	51,379	21
Public recreation and culture						
Austin Public Library	44,667	10,261	54,928	58,868	58,868	3,940
Parks and Recreation	82,709	11,630	94,339	101,626	101,626	7,287
Urban growth management						
Housing and Planning	13,066	2,553	15,619	17,171	17,171	1,552
Other Urban Growth	63	(63)	--	--	--	--
General city responsibilities (4)	131,021	(140,211)	(9,190)	9,712	9,712	18,902
Total expenditures	945,203	12,311	957,514	949,829	994,582	37,068
Excess (deficiency) of revenues over expenditures	34,584	(25,190)	9,394	(19,430)	(64,183)	73,577
OTHER FINANCING SOURCES (USES)						
Transfers in	160,545	741	161,286	160,544	160,544	742
Transfers out	(24,533)	(147,120)	(171,653)	(141,114)	(96,361)	(75,292)
Total other financing sources (uses)	136,012	(146,379)	(10,367)	19,430	64,183	(74,550)
Excess (deficiency) of revenues and other sources over expenditures and other uses	170,596	(171,569)	(973)	--	--	(973)
Fund balances at beginning of year	373,542	(341,143)	32,399	--	--	32,399
Fund balances at end of year	\$ 544,138	(512,712)	31,426	--	--	31,426

(Continued)

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.
- (4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit J-1

(Continued)

	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
APD Decouple						
EXPENDITURES						
Public safety						
Police	\$ 31,397	--	31,397	76,554	31,478	81
Total expenditures	31,397	--	31,397	76,554	31,478	81
Excess (deficiency) of revenues over expenditures	(31,397)	--	(31,397)	(76,554)	(31,478)	81
OTHER FINANCING SOURCES (USES)						
Transfers in	--	31,478	31,478	76,554	31,478	--
Total other financing sources (uses)	--	31,478	31,478	76,554	31,478	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(31,397)	31,478	81	--	--	81
Fund balances at beginning of year	--	--	--	--	--	--
Fund balances at end of year	\$ (31,397)	31,478	81	--	--	81

	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
APD Re-imagine Safety						
EXPENDITURES						
Public safety						
Police	\$ 44,272	--	44,272	45,080	44,852	580
Total expenditures	44,272	--	44,272	45,080	44,852	580
Excess (deficiency) of revenues over expenditures	(44,272)	--	(44,272)	(45,080)	(44,852)	580
OTHER FINANCING SOURCES (USES)						
Transfers in	--	44,852	44,852	45,080	44,852	--
Total other financing sources (uses)	--	44,852	44,852	45,080	44,852	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(44,272)	44,852	580	--	--	580
Fund balance at beginning of year	--	--	--	--	--	--
Fund balances at end of year	\$ (44,272)	44,852	580	--	--	580

(Continued)

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.

Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit J-1

(Continued)

Barton Springs Conservation	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Interest and other	\$ 2	--	2	12	12	(10)
Total revenues	2	--	2	12	12	(10)
EXPENDITURES						
Urban growth management						
Other urban growth management	90	--	90	190	190	100
Total expenditures	90	--	90	190	190	100
Excess (deficiency) of revenues over expenditures	(88)	--	(88)	(178)	(178)	90
OTHER FINANCING SOURCES (USES)						
Transfers in	--	53	53	53	53	--
Total other financing sources (uses)	--	53	53	53	53	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(88)	53	(35)	(125)	(125)	90
Fund balances at beginning of year	(15)	(55)	(70)	683	683	(753)
Fund balances at end of year	\$ (103)	(2)	(105)	558	558	(663)

Budget Stabilization Reserve	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
EXPENDITURES						
General government						
Municipal Court	\$ 365	(365)	--	--	--	--
Public safety						
Fire	29	(29)	--	--	--	--
Police	8	(8)	--	--	--	--
Public health						
Animal Services	76	(76)	--	--	--	--
Public Health	1,126	(1,127)	(1)	--	--	1
Public recreation and culture						
Austin Public Library	13	(13)	--	--	--	--
Parks and Recreation	327	(327)	--	--	--	--
General city responsibilities (4)	446	(446)	--	--	--	--
Total expenditures	2,390	(2,391)	(1)	--	--	1
Excess (deficiency) of revenues over expenditures	(2,390)	2,391	1	--	--	1
OTHER FINANCING SOURCES (USES)						
Transfers in	--	18,556	18,556	7,326	7,326	11,230
Transfers out	--	(43,339)	(43,339)	(57,987)	(57,987)	14,648
Total other financing sources (uses)	--	(24,783)	(24,783)	(50,661)	(50,661)	25,878
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,390)	(22,392)	(24,782)	(50,661)	(50,661)	25,879
Fund balances at beginning of year	32,312	61,228	93,540	95,125	95,125	(1,585)
Fund balances at end of year	\$ 29,922	38,836	68,758	44,464	44,464	24,294

(Continued)

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.
- (4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

**Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit J-1**

(Continued)

Community Development Incentives	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive Negative
				Original	Final	
OTHER FINANCING SOURCES (USES)						
Transfers out	\$ --	(38)	(38)	(25)	(25)	(13)
Total other financing sources (uses)	--	(38)	(38)	(25)	(25)	(13)
Excess (deficiency) of revenues and other sources over expenditures and other uses	--	(38)	(38)	(25)	(25)	(13)
Fund balances at beginning of year	(808)	829	21	25	25	(4)
Fund balances at end of year	\$ (808)	791	(17)	--	--	(17)

Economic Development	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive Negative
				Original	Final	
REVENUES						
Interest and other	\$ 139	--	139	105	105	34
Total revenues	139	--	139	105	105	34
EXPENDITURES						
Urban growth management						
Housing and Planning	--	(64)	(64)	--	--	64
Other urban growth mangement	18,514	(2,534)	15,980	21,020	21,020	5,040
Total expenditures	18,514	(2,598)	15,916	21,020	21,020	5,104
Excess (deficiency) of revenues over expenditures	(18,375)	2,598	(15,777)	(20,915)	(20,915)	5,138
OTHER FINANCING SOURCES (USES)						
Transfers in	12,648	7,810	20,458	20,458	20,458	--
Transfers out	(188)	(1,311)	(1,499)	(1,519)	(1,519)	20
Total other financing sources (uses)	12,460	6,499	18,959	18,939	18,939	20
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,915)	9,097	3,182	(1,976)	(1,976)	5,158
Fund balances at beginning of year	(22,136)	19,303	(2,833)	2,050	2,050	(4,883)
Fund balances at end of year	\$ (28,051)	28,400	349	74	74	275

(Continued)

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.

**Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit J-1**

(Continued)

Economic Incentives Reserve	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive Negative
				Original	Final	
REVENUES						
Interest and other	\$ 170	--	170	350	350	(180)
Total revenues	170	--	170	350	350	(180)
EXPENDITURES						
Urban growth management						
Housing and Planning	--	(35)	(35)	--	--	35
Other urban growth management	7,524	1,578	9,102	10,158	10,158	1,056
Total expenditures	7,524	1,543	9,067	10,158	10,158	1,091
Excess (deficiency) of revenues over expenditures	(7,354)	(1,543)	(8,897)	(9,808)	(9,808)	911
OTHER FINANCING SOURCES (USES)						
Transfers in	1,263	10,257	11,520	11,128	11,128	392
Transfers out	(986)	--	(986)	(986)	(986)	--
Total other financing sources (uses)	277	10,257	10,534	10,142	10,142	392
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7,077)	8,714	1,637	334	334	1,303
Fund balances at beginning of year	(113,901)	116,530	2,629	8,170	8,170	(5,541)
Fund balances at end of year	\$ (120,978)	125,244	4,266	8,504	8,504	(4,238)

Emergency Reserve	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive Negative
				Original	Final	
REVENUES						
Interest and other	\$ 146	--	146	--	--	146
Total revenues	146	--	146	--	--	146
EXPENDITURES						
General city responsibilities (4)	88,260	(17,801)	70,459	--	18,800	(51,659)
Total expenditures	88,260	(17,801)	70,459	--	18,800	(51,659)
Excess (deficiency) of revenues over expenditures	(88,114)	17,801	(70,313)	--	(18,800)	(51,513)
OTHER FINANCING SOURCES (USES)						
Transfers in	8,800	80,223	89,023	57,987	66,787	22,236
Total other financing sources (uses)	8,800	80,223	89,023	57,987	66,787	22,236
Excess (deficiency) of revenues and other sources over expenditures and other uses	(79,314)	98,024	18,710	57,987	47,987	(29,277)
Fund balances at beginning of year	2,302	63,029	65,331	31,144	31,144	34,187
Fund balances at end of year	\$ (77,012)	161,053	84,041	89,131	79,131	4,910

(Continued)

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.
- (4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

**Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit J-1**

(Continued)

Housing and Planning Technology	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Licenses, permits and inspections	\$ 62	--	62	62	62	--
Interest and other	--	--	--	3	3	(3)
Total revenues	<u>62</u>	<u>--</u>	<u>62</u>	<u>65</u>	<u>65</u>	<u>(3)</u>
EXPENDITURES						
Urban growth management						
Housing and Planning	70	--	70	75	75	5
Total expenditures	<u>70</u>	<u>--</u>	<u>70</u>	<u>75</u>	<u>75</u>	<u>5</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(8)	--	(8)	(10)	(10)	2
Fund balances at beginning of year	190	--	190	177	177	13
Fund balances at end of year	<u>\$ 182</u>	<u>--</u>	<u>182</u>	<u>167</u>	<u>167</u>	<u>15</u>

Iconic Venue	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
EXPENDITURES						
Urban growth management						
Other urban growth management	\$ --	2,400	2,400	--	2,400	--
Total expenditures	<u>--</u>	<u>2,400</u>	<u>2,400</u>	<u>--</u>	<u>2,400</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	--	(2,400)	(2,400)	--	(2,400)	--
OTHER FINANCING SOURCES (USES)						
Transfers in	2,400	--	2,400	--	2,400	--
Total other financing sources (uses)	<u>2,400</u>	<u>--</u>	<u>2,400</u>	<u>--</u>	<u>2,400</u>	<u>--</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,400	(2,400)	--	--	--	--
Fund balances at beginning of year	--	--	--	--	--	--
Fund balances at end of year	<u>\$ 2,400</u>	<u>(2,400)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

Long Center Capital Improvements	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
EXPENDITURES						
Urban growth management						
Other urban growth management	\$ 263	37	300	300	300	--
Total expenditures	<u>263</u>	<u>37</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	(263)	(37)	(300)	(300)	(300)	--
OTHER FINANCING SOURCES (USES)						
Transfers in	--	300	300	300	300	--
Total other financing sources (uses)	<u>--</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>--</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(263)	263	--	--	--	--
Fund balances at beginning of year	(1,787)	1,787	--	--	--	--
Fund balances at end of year	<u>\$ (2,050)</u>	<u>2,050</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

(Continued)

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.

Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit J-1

(Continued)

Music Venue Assistance Program

	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
EXPENDITURES						
Urban growth management						
Other urban growth management	\$ --	--	--	7	7	7
Total expenditures	--	--	--	7	7	7
Excess (deficiency) of revenues over expenditures	--	--	--	(7)	(7)	7
OTHER FINANCING SOURCES (USES)						
Transfers out	--	(6)	(6)	--	--	(6)
Total other financing sources (uses)	--	(6)	(6)	--	--	(6)
Excess (deficiency) of revenues and other sources over expenditures and other uses	--	(6)	(6)	(7)	(7)	1
Fund balances at beginning of year	(359)	331	(28)	7	7	(35)
Fund balances at end of year	\$ (359)	325	(34)	--	--	(34)

Neighborhood Housing-Housing Trust

	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Interest and other	\$ 1,782	--	1,782	819	819	963
Total revenues	1,782	--	1,782	819	819	963
EXPENDITURES						
Urban growth management						
Housing and Planning	1,216	(3)	1,213	13,693	12,793	11,580
Other urban growth management	45	(14)	31	--	--	(31)
Total expenditures	1,261	(17)	1,244	13,693	12,793	11,549
Excess (deficiency) of revenues over expenditures	521	17	538	(12,874)	(11,974)	12,512
OTHER FINANCING SOURCES (USES)						
Transfers in	--	7,713	7,713	7,713	7,713	--
Transfers out	(2,580)	(12,350)	(14,930)	--	(13,250)	(1,680)
Total other financing sources (uses)	(2,580)	(4,637)	(7,217)	7,713	(5,537)	(1,680)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,059)	(4,620)	(6,679)	(5,161)	(17,511)	10,832
Fund balances at beginning of year	(3,815)	20,673	16,858	5,161	17,518	(660)
Fund balances at end of year	\$ (5,874)	16,053	10,179	--	7	10,172

(Continued)

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.

Budgetary General Fund
Supplementary Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit J-1

(Continued)

Pay for Success	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
EXPENDITURES						
General city responsibilities (4)	\$ --	--	--	1,200	1,200	1,200
Total expenditures	--	--	--	1,200	1,200	1,200
Excess (deficiency) of revenues and other sources over expenditures and other uses	--	--	--	(1,200)	(1,200)	1,200
Fund balance at beginning of year	--	6,000	6,000	4,800	4,800	1,200
Fund balances at end of year	\$ --	6,000	6,000	3,600	3,600	2,400

Property Tax Reserve	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
OTHER FINANCING SOURCES (USES)						
Transfers out	\$ --	(4,500)	(4,500)	(4,500)	(4,500)	--
Total other financing sources (uses)	--	(4,500)	(4,500)	(4,500)	(4,500)	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	--	(4,500)	(4,500)	(4,500)	(4,500)	--
Fund balances at beginning of year	4,500	--	4,500	4,500	4,500	--
Fund balances at end of year	\$ 4,500	(4,500)	--	--	--	--

Seaholm Parking Garage Revenue	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Interest and other	\$ 542	--	542	823	823	(281)
Total revenues	542	--	542	823	823	(281)
Excess (deficiency) of revenues over expenditures	542	--	542	823	823	(281)
OTHER FINANCING SOURCES (USES)						
Transfers in	785	--	785	--	--	785
Transfers out	(576)	--	(576)	(576)	(576)	--
Total other financing sources (uses)	209	--	209	(576)	(576)	785
Excess (deficiency) of revenues and other sources over expenditures and other uses	751	--	751	247	247	504
Fund balances at beginning of year	2,113	--	2,113	2,096	2,096	17
Fund balances at end of year	\$ 2,864	--	2,864	2,343	2,343	521

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.
- (4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers.

Enterprise Related Grants
Combining Balance Sheet
September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit J-2

	Assets		Liabilities and Fund Balances			
	Receivables from Other Governments	Total Assets	Other Liabilities	Total Liabilities	Fund Balances	Total Liabilities and Fund Balances
AUSTIN ENERGY RELATED						
American Public Power Association	\$ 19	19	19	19	--	19
Total Austin Energy	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>--</u>	<u>19</u>
AIRPORT RELATED						
U.S. Department of Homeland Security	70	70	70	70	--	70
U.S. Department of Transportation	3,650	3,650	3,650	3,650	--	3,650
Total Airport	<u>3,720</u>	<u>3,720</u>	<u>3,720</u>	<u>3,720</u>	<u>--</u>	<u>3,720</u>
DRAINAGE RELATED						
U.S. Department of Homeland Security	--	--	--	--	--	--
Total Drainage	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
AUSTIN RESOURCE RECOVERY RELATED						
U.S. Environmental Protection Agency	--	--	--	--	--	--
Private	--	--	--	--	--	--
Total Austin Resource Recovery	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total grants, enterprise related	<u>\$ 3,739</u>	<u>3,739</u>	<u>3,739</u>	<u>3,739</u>	<u>--</u>	<u>3,739</u>

NOTE: These grants have been reported in the enterprise fund financial statements.

Enterprise Related Grants
Combining Schedule of Expenditures
From Inception to September 30, 2021
(In thousands)

City of Austin, Texas
Exhibit J-3

	Total Expenditures at Beginning of Year			Current Year		Total Expenditures at End of Year			Budget		
	Grant	In-Kind		Grant	In-Kind	Grant	In-Kind		Grant	In-Kind	
		Match	Total				Match	Total		Match	Total
AUSTIN ENERGY RELATED											
American Public Power Association	\$ 144	--	144	19	--	163	--	163	167	--	167
Total Austin Energy	<u>144</u>	<u>--</u>	<u>144</u>	<u>19</u>	<u>--</u>	<u>163</u>	<u>--</u>	<u>163</u>	<u>167</u>	<u>--</u>	<u>167</u>
AIRPORT RELATED											
U.S. Department of Homeland Security	18,261	--	18,261	515	--	18,776	--	18,776	19,707	--	19,707
U.S. Department of Transportation	138,981	36,874	175,855	39,966	2,406	178,947	39,280	218,227	218,127	47,729	265,856
Total Airport	<u>157,242</u>	<u>36,874</u>	<u>194,116</u>	<u>40,481</u>	<u>2,406</u>	<u>197,723</u>	<u>39,280</u>	<u>237,003</u>	<u>237,834</u>	<u>47,729</u>	<u>285,563</u>
DRAINAGE RELATED											
U.S. Department of Homeland Security	8,928	3,797	12,725	504	306	9,432	4,103	13,535	21,362	17,831	39,193
Total Drainage	<u>8,928</u>	<u>3,797</u>	<u>12,725</u>	<u>504</u>	<u>306</u>	<u>9,432</u>	<u>4,103</u>	<u>13,535</u>	<u>21,362</u>	<u>17,831</u>	<u>39,193</u>
AUSTIN RESOURCE RECOVERY RELATED											
U.S. Environmental Protection Agency	873	2	875	149	161	1,022	163	1,185	2,020	264	2,284
Private	--	--	--	45	--	45	--	45	45	--	45
Total Austin Resource Recovery	<u>873</u>	<u>2</u>	<u>875</u>	<u>194</u>	<u>161</u>	<u>1,067</u>	<u>163</u>	<u>1,230</u>	<u>2,065</u>	<u>264</u>	<u>2,329</u>
Total grants, enterprise related	<u>\$ 167,187</u>	<u>40,673</u>	<u>207,860</u>	<u>41,198</u>	<u>2,873</u>	<u>208,385</u>	<u>43,546</u>	<u>251,931</u>	<u>261,428</u>	<u>65,824</u>	<u>327,252</u>

NOTE: These grants have been reported in the enterprise fund financial statements.

**Schedule of General Obligation Bonds
Authorized and Unissued
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit J-4**

Date Authorized	Purpose	Original Authorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2021
10-22-83	Brackenridge 2000	\$ 50,000	40,785	--	9,215
09-08-84	Parks improvements	9,975	9,648	--	327
01-19-85	Cultural arts	20,285	14,890	--	5,395
11-07-06	Cultural arts	31,500	27,500	--	4,000
11-06-12	Mobility transportation	143,299	130,315	--	12,984
11-06-12	Park improvements	77,680	76,180	--	1,500
11-06-12	Public safety facility	31,079	31,075	--	4
11-06-12	HHS facility	11,148	11,145	--	3
11-06-12	Cultural arts	13,442	13,440	--	2
11-08-16	Mobility transportation	720,000	145,500	6,595	567,905
11-06-18	Affordable housing	250,000	34,905	27,735	187,360
11-06-18	Cultural arts	128,000	6,700	--	121,300
11-06-18	Park Improvements	149,000	11,280	--	137,720
11-06-18	Flood mitigation	184,000	36,850	12,955	134,195
11-06-18	Health and human services	16,000	600	550	14,850
11-06-18	Public safety	38,000	9,450	--	28,550
11-06-18	Mobility transportation	160,000	5,150	10,765	144,085
11-03-20	Mobility transportation	460,000	--	--	460,000
		\$ 2,493,408	605,413	58,600	1,829,395

Source: Bond Sale Official Statements

(1) This schedule displays only those previously issued bonds that relate to bond authorizations included herein.

It does not display all debt previously issued and still outstanding or refunding bonds. It includes general obligation bonds reported in the government-wide governmental activities and in proprietary funds.

**Schedule of Revenue Bonds Authorized,
Deauthorized and Unissued
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit J-5**

Date Authorized	Purpose	Original Authorized	Deauthorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2021
AUSTIN ENERGY						
10-22-83	Hydrogeneration power plant and electric system	\$ 39,000	--	10,620	--	28,380
03-01-84	Electric system, South Texas Nuclear Project	605,000	--	315,232	--	289,768
09-08-84	Electric improvements (gas turbines)	32,775	--	31,237	--	1,538
09-08-84	Electric improvements (western coal plant)	47,725	--	31,199	--	16,526
09-08-84	Electric transmission and reliability improvements	39,945	--	20,040	--	19,905
12-14-85	Transmission lines and substations	175,130	--	96,017	--	79,113
12-14-85	Overhead and underground distribution	76,055	--	46,845	--	29,210
12-14-85	Miscellaneous	25,891	--	10,443	--	15,448
08-10-92	Electrical distribution and street lighting	82,500	--	--	--	82,500
Total Austin Energy		1,124,021	--	561,633	--	562,388
AUSTIN WATER (Water)						
09-11-82	Green water treatment plant, water lines and reservoir	40,300	--	28,885	--	11,415
09-11-82	Ullrich water treatment plant, water lines and reservoir	49,100	--	42,210	--	6,890
09-11-82	Davis water treatment plant, water lines and reservoir	40,800	--	32,274	--	8,526
09-11-82	Waterworks system rehabilitation and improvements	12,800	--	9,164	--	3,636
09-08-84	Waterworks north central, northeast, and east service area	39,385	17,000	3,990	--	18,395
09-08-84	Waterworks northwest service area	14,970	--	11,430	--	3,540
09-08-84	Water improvements in north central and northwest service area	14,470	--	2,745	--	11,725
09-08-84	Waterworks system improvements	141,110	--	36,513	--	104,597
09-08-84	Ullrich water treatment plant improvements to South Austin	47,870	--	23,245	--	24,625
09-08-84	Water lines, reservoir improvements to south corridor area	12,570	--	6,585	--	5,985
09-08-84	Water lines, pump station improvements to North Austin area	7,945	--	7,765	--	180
09-08-84	Waterworks system rehabilitation and improvements	26,500	--	3,665	--	22,835
12-14-85	Northeast area improvements	37,950	10,000	7,493	--	20,457
12-14-85	South/southeast area improvements	42,090	14,000	6,035	--	22,055
12-14-85	Improvements/extensions	9,775	--	3,689	--	6,086
08-10-92	Improvements to meet EPA safe drinking water act	23,000	--	--	--	23,000
08-10-92	Improvements and replacement of deteriorated water system facilities	5,000	--	--	--	5,000
08-10-92	General utility relocation	2,000	--	--	--	2,000
05-03-97	Improvements/extensions to City's waterworks and wastewater system	35,000	--	--	--	35,000
05-02-98	Aquifer preservation	65,000	--	--	--	65,000
11-03-98	Water improvements, upgrade, replace	64,900	--	--	--	64,900
11-03-98	Water expansion and improvement	49,940	--	--	--	49,940
11-03-98	Water improvements and extensions	19,800	--	--	--	19,800
Total Austin Water (Water)		\$ 802,275	41,000	225,688	--	535,587

(Continued)

(1) This schedule displays only those previously issued bonds which relate to bond authorizations included herein. It does not display all debt previously issued and still outstanding, refunding bonds, or commercial paper.

**Schedule of Revenue Bonds Authorized,
Deauthorized and Unissued
For the year ended September 30, 2021
(In thousands)**

**City of Austin, Texas
Exhibit J-5**

(Continued)

Date Authorized	Purpose	Original Authorized	Deauthorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2021
AUSTIN WATER (Wastewater)						
11-20-76	Sewer system improvements	\$ 46,920	--	38,920	--	8,000
09-11-82	Govalle sewage treatment plant, sewer lines and improvements to Canterbury lift station	28,300	--	24,658	--	3,642
09-11-82	Onion Creek sewage treatment plant and sewer lines	57,000	--	49,345	--	7,655
09-11-82	Sewer lines for north central and northwest Austin	20,700	--	17,975	--	2,725
09-11-82	Walnut Creek sewage treatment plant additions	20,400	--	17,971	--	2,429
09-11-82	Sewer system rehabilitation and improvements	4,800	--	3,930	--	870
09-08-84	Sewer system rehabilitation and improvements	43,515	--	36,950	--	6,565
09-08-84	Onion Creek and Walnut Creek sewage treatment plant improvements	44,795	--	42,284	--	2,511
09-08-84	Sewer system rehabilitation and improvements	46,230	--	14,925	--	31,305
04-06-85	Sewer system improvements	54,000	--	33,106	--	20,894
12-14-85	Advanced wastewater treatment	34,500	--	--	--	34,500
12-14-85	Northeast area improvements	47,035	32,300	1,857	--	12,878
12-14-85	Southeast area improvements	9,200	4,200	757	--	4,243
12-14-85	Improvements/extensions	24,725	--	12,621	--	12,104
12-14-85	Walnut Creek WWTP expansion	46,000	--	13,717	--	32,283
12-14-85	Bear Creek interceptor	1,840	1,511	265	--	64
08-10-92	Improvement to Hornsby Bend beneficial re-use program	11,000	--	--	--	11,000
08-10-92	Replacement and rehabilitation of deteriorated wastewater facilities	3,000	--	--	--	3,000
11-03-98	Wastewater improvements, upgrades and replacements	77,000	--	--	--	77,000
11-03-98	Wastewater improvements and expansion	121,000	--	--	--	121,000
Total Austin Water (Wastewater)		741,960	38,011	309,281	--	394,668
Total Utility		2,668,256	79,011	1,096,602	--	1,492,643
AIRPORT						
11-03-87	Relocation/construction of new airport	728,000	--	30,000	--	698,000
05-01-93	Construction of new municipal airport at Bergstrom AFB site	400,000	--	362,205	--	37,795
Total Airport		1,128,000	--	392,205	--	735,795
CONVENTION CENTER						
07-29-89	New convention center	69,000	--	68,240	--	760
Total Convention Center		69,000	--	68,240	--	760
Total revenue bonds		\$ 3,865,256	79,011	1,557,047	--	2,229,198

Source: Bond sale official statements

(1) This schedule displays only those previously issued bonds which relate to bond authorizations included herein. It does not display all debt previously issued and still outstanding, refunding bonds, or commercial paper.





STATISTICAL SECTION - UNAUDITED

This section of the City of Austin's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial condition.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Tables 1 - 5)

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes. (Tables 6 - 12)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Tables 13 - 17)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. (Tables 18 - 19)

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (Tables 20 - 22)

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

**Net Position by Component
Last Ten Fiscal Years (In thousands)
(Accrual basis of accounting)**

**City of Austin, Texas
Table 1**

	Fiscal Year Ended September 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities										
Net investment in capital assets	1,666,653	1,649,431	1,621,208	1,645,359	1,719,704	1,709,146	1,735,481	1,844,751	1,999,355	2,208,451
Restricted	82,916	103,246	118,335	133,984	124,695	140,299	146,496	215,091	235,505	265,681
Unrestricted (deficit)	(334,332)	(397,244)	(431,349)	(1,117,293)	(1,211,495)	(1,394,092)	(2,135,186)	(2,336,696)	(2,835,470)	(3,266,612)
Total governmental activities net position	1,415,237	1,355,433	1,308,194	662,050	632,904	455,353	(253,209)	(276,854)	(600,610)	(792,480)
Business-type activities										
Net investment in capital assets	2,104,623	2,195,358	2,216,347	2,223,964	2,250,698	2,358,240	2,375,219	2,366,162	2,303,795	2,408,833
Restricted	554,215	535,490	524,653	642,052	690,459	702,749	795,049	1,015,860	1,085,723	1,107,411
Unrestricted	392,904	466,167	587,362	560,321	737,150	915,825	789,217	646,000	628,579	509,342
Total business-type activities net position	3,051,742	3,197,015	3,328,362	3,426,337	3,678,307	3,976,814	3,959,485	4,028,022	4,018,097	4,025,586
Primary government										
Net investment in capital assets	3,771,276	3,844,789	3,837,555	3,869,323	3,970,402	4,067,386	4,110,700	4,210,913	4,303,150	4,617,284
Restricted	637,131	638,736	642,988	776,036	815,154	843,048	941,545	1,230,951	1,321,228	1,373,092
Unrestricted (deficit)	58,572	68,923	156,013	(556,972)	(474,345)	(478,267)	(1,345,969)	(1,690,696)	(2,206,891)	(2,757,270)
Total primary government net position	4,466,979	4,552,448	4,636,556	4,088,387	4,311,211	4,432,167	3,706,276	3,751,168	3,417,487	3,233,106

Note: The City implemented GASB Statement No. 68 in fiscal year 2015 and GASB Statement No. 75 in fiscal year 2018, both of which significantly impacted the net position of the governmental activities.

Changes in Net Position
Last Ten Fiscal Years (In thousands)
(Accrual basis of accounting)

City of Austin, Texas
Table 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses										
Governmental activities:										
General government	124,735	97,675	118,074	131,993	177,302	192,231	200,125	201,747	283,532	327,126
Public safety	536,132	580,074	576,118	601,112	657,846	719,032	704,566	810,140	842,450	853,434
Transportation, planning, and sustainability	64,247	78,594	83,971	77,349	66,739	72,517	72,240	83,967	88,948	232,056
Public health	75,799	73,186	80,796	85,326	100,195	119,278	117,578	123,304	278,340	204,819
Public recreation and culture	104,026	104,951	117,441	134,567	147,191	161,226	173,333	175,567	178,481	185,110
Urban growth management	93,593	137,478	136,110	135,386	179,081	156,180	176,453	133,763	162,677	242,225
Interest on debt	46,417	48,400	49,617	55,855	61,500	61,879	65,147	64,986	69,002	68,724
Total governmental expenses	1,044,949	1,120,358	1,162,127	1,221,588	1,389,854	1,482,343	1,509,442	1,593,474	1,903,430	2,113,494
Business-type activities:										
Electric	1,133,951	1,132,476	1,251,599	1,203,729	1,226,585	1,277,623	1,268,610	1,397,591	1,345,003	1,256,788
Water	223,228	231,774	232,778	294,624	244,907	281,787	312,276	314,899	318,889	245,336
Wastewater	194,650	214,580	221,216	219,320	237,450	219,609	286,736	263,362	263,230	232,053
Airport	101,991	107,389	108,291	120,015	135,860	158,863	184,084	202,366	216,183	213,129
Convention	56,142	62,884	58,763	65,657	63,796	75,377	80,990	84,673	76,382	65,938
Environmental and health services	87,450	81,544	92,997	97,690	102,994	108,658	111,184	121,987	134,680	155,957
Public recreation	5,624	7,185	6,765	8,824	8,266	8,736	9,009	9,195	9,681	10,293
Urban growth management	114,270	129,583	125,983	135,360	173,360	183,532	196,817	308,303	312,267	334,450
Total business-type expenses	1,917,306	1,967,415	2,098,392	2,145,219	2,193,218	2,314,185	2,449,706	2,702,376	2,676,315	2,513,944
Total primary government expenses	2,962,255	3,087,773	3,260,519	3,366,807	3,583,072	3,796,528	3,959,148	4,295,850	4,579,745	4,627,438
Program Revenues										
Governmental activities:										
Charges for services:										
General government	17,285	15,223	17,890	15,434	15,915	21,345	27,276	26,806	28,727	24,886
Public safety	51,009	53,826	62,832	65,221	65,087	57,728	57,950	57,620	46,482	45,504
Transportation, planning, and sustainability	4,158	4,431	5,214	5,006	4,572	1,698	1,503	1,490	1,277	383
Public health	5,106	9,510	9,720	10,351	9,160	12,374	8,109	8,239	11,265	18,229
Public recreation and culture	7,576	8,753	8,205	8,330	8,781	11,251	12,401	11,558	3,799	6,955
Urban growth management	28,613	32,917	37,848	56,366	78,530	72,244	66,161	26,166	27,502	30,686
Operating grants and contributions	57,818	48,567	50,333	45,470	47,430	45,162	42,489	66,439	190,534	182,566
Capital grants and contributions	35,880	64,781	66,856	70,484	95,486	90,256	107,865	78,826	60,724	99,864
Total governmental program revenues	207,445	238,008	258,898	276,662	324,961	312,058	323,754	277,144	370,310	409,073
Business-type activities:										
Charges for services:										
Electric	1,179,872	1,288,259	1,367,155	1,351,436	1,370,228	1,362,132	1,400,523	1,447,300	1,373,556	1,271,808
Water	229,454	240,081	240,526	277,180	301,860	324,562	304,182	287,454	305,072	295,295
Wastewater	213,253	236,700	232,067	239,811	259,974	274,518	270,884	264,116	261,053	271,927

(Continued)

**Changes in Net Position
Last Ten Fiscal Years (In thousands)
(Accrual basis of accounting)**

**City of Austin, Texas
Table 2
(Continued)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Airport	114,318	123,021	128,766	142,353	159,866	178,433	197,426	213,458	162,010	178,077
Convention	19,200	22,783	25,087	28,657	33,221	40,196	33,752	43,600	16,655	6,018
Environmental and health services	75,499	81,833	84,655	96,622	103,420	109,274	115,499	117,998	119,692	131,414
Public recreation	5,239	6,069	5,849	5,736	6,480	6,705	7,278	7,060	6,134	10,281
Urban growth management	123,477	131,561	141,755	154,337	176,163	204,439	214,244	286,780	283,435	296,609
Operating grants and contributions	10,950	3,749	1,489	1,039	739	861	876	785	24,383	32,377
Capital grants and contributions	50,064	64,124	65,550	110,580	144,139	137,464	122,396	164,700	147,545	150,385
Total business-type revenues	2,021,326	2,198,180	2,292,899	2,407,751	2,556,090	2,638,584	2,667,060	2,833,251	2,699,535	2,644,191
Total primary government revenues	2,228,771	2,436,188	2,551,797	2,684,413	2,881,051	2,950,642	2,990,814	3,110,395	3,069,845	3,053,264
Net (Expense)/Revenue										
Governmental activities	(837,504)	(882,350)	(903,229)	(944,926)	(1,064,893)	(1,170,285)	(1,185,688)	(1,316,330)	(1,533,120)	(1,704,421)
Business-type activities	104,020	230,765	194,507	262,532	362,872	324,399	217,354	130,875	23,220	130,247
Total primary government net expense	(733,484)	(651,585)	(708,722)	(682,394)	(702,021)	(845,886)	(968,334)	(1,185,455)	(1,509,900)	(1,574,174)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	381,582	420,000	448,083	476,439	507,485	554,631	616,745	671,614	732,336	937,352
Sales tax	164,193	176,198	189,464	204,029	212,634	218,790	232,319	248,813	246,658	281,784
Franchise fees and gross receipts tax	99,011	114,147	128,032	141,368	147,773	151,670	159,754	175,182	117,810	120,085
Interest and other	15,884	23,888	21,275	21,951	41,708	26,950	34,333	53,330	41,862	40,374
Transfers	101,527	87,761	62,215	70,865	121,838	40,693	73,664	133,907	70,698	125,945
Special items	--	--	15,830	11,983	4,309	--	--	10,201	--	--
Total general revenues and transfers	762,197	821,994	864,899	926,635	1,035,747	992,734	1,116,815	1,293,047	1,209,364	1,505,540
Business-type activities:										
Interest and other	11,529	2,269	5,717	10,498	10,936	14,801	27,730	71,569	37,553	3,187
Transfers	(101,527)	(87,761)	(62,215)	(70,865)	(121,838)	(40,693)	(73,664)	(133,907)	(70,698)	(125,945)
Total business-type activities	(89,998)	(85,492)	(56,498)	(60,367)	(110,902)	(25,892)	(45,934)	(62,338)	(33,145)	(122,758)
Total primary government	672,199	736,502	808,401	866,268	924,845	966,842	1,070,881	1,230,709	1,176,219	1,382,782
Change in Net Position										
Governmental activities	(75,307)	(60,356)	(38,330)	(18,291)	(29,146)	(177,551)	(68,873)	(23,283)	(323,756)	(198,881)
Business-type activities	14,022	145,273	138,009	202,165	251,970	298,507	171,420	68,537	(9,925)	7,489
Total primary government	(61,285)	84,917	99,679	183,874	222,824	120,956	102,547	45,254	(333,681)	(191,392)

Program Revenues by Function/Program
Last Ten Fiscal Years (In thousands)
(Accrual basis of accounting)

City of Austin, Texas
 Table 3

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Function/Program										
Governmental activities:										
General government	31,179	29,603	29,150	24,715	29,665	29,022	44,526	28,514	30,567	31,259
Public safety	59,997	60,221	74,805	71,035	71,626	64,937	67,314	64,235	54,020	66,744
Transportation, planning, and sustainability	24,942	51,095	55,324	61,405	80,375	75,165	83,068	63,260	45,045	66,638
Public health	28,122	30,307	29,390	29,524	28,822	33,034	29,742	30,045	171,392	94,276
Public recreation and culture	13,145	14,343	17,233	15,390	17,685	23,050	24,840	30,371	20,232	36,117
Urban growth management	50,060	52,439	52,996	74,593	96,788	86,850	74,264	60,719	49,054	114,039
Subtotal governmental activities	<u>207,445</u>	<u>238,008</u>	<u>258,898</u>	<u>276,662</u>	<u>324,961</u>	<u>312,058</u>	<u>323,754</u>	<u>277,144</u>	<u>370,310</u>	<u>409,073</u>
Business-type activities:										
Electric	1,201,722	1,303,299	1,381,040	1,374,895	1,411,135	1,406,147	1,435,613	1,492,881	1,419,070	1,313,226
Water	241,205	262,212	264,265	312,102	349,195	369,506	351,089	337,352	356,634	346,669
Wastewater	221,561	249,564	246,569	261,680	290,717	304,260	297,869	290,883	300,894	304,130
Airport	124,042	128,301	134,208	151,368	163,432	193,769	205,635	227,535	192,893	218,558
Convention	19,234	23,149	25,138	28,657	33,221	40,196	33,752	43,600	16,655	6,018
Environmental and health services	78,694	83,080	84,807	96,674	103,538	109,546	115,768	118,331	119,953	131,608
Public recreation	5,404	6,776	6,626	6,206	6,701	6,995	7,508	7,286	6,326	10,549
Urban growth management	129,464	141,799	150,246	176,169	198,151	208,165	219,826	315,383	287,110	313,433
Subtotal business-type activities	<u>2,021,326</u>	<u>2,198,180</u>	<u>2,292,899</u>	<u>2,407,751</u>	<u>2,556,090</u>	<u>2,638,584</u>	<u>2,667,060</u>	<u>2,833,251</u>	<u>2,699,535</u>	<u>2,644,191</u>
Total primary government	<u>2,228,771</u>	<u>2,436,188</u>	<u>2,551,797</u>	<u>2,684,413</u>	<u>2,881,051</u>	<u>2,950,642</u>	<u>2,990,814</u>	<u>3,110,395</u>	<u>3,069,845</u>	<u>3,053,264</u>

**Fund Balances, Governmental Funds
Last Ten Fiscal Years (In thousands)
(Modified accrual basis of accounting)**

**City of Austin, Texas
Table 4**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Nonspendable	862	774	950	949	546	727	2,064	1,771	2,879	3,369
Assigned	16,255	18,459	25,887	26,123	28,700	29,618	37,561	53,441	95,545	116,428
Unassigned	113,046	127,859	156,659	150,091	131,743	141,469	173,309	180,424	173,091	153,305
Total general fund	<u>130,163</u>	<u>147,092</u>	<u>183,496</u>	<u>177,163</u>	<u>160,989</u>	<u>171,814</u>	<u>212,934</u>	<u>235,636</u>	<u>271,515</u>	<u>273,102</u>
All Other Governmental Funds										
Nonspendable	1,040	1,040	1,052	1,070	1,070	1,070	1,070	1,070	1,070	1,070
Restricted	174,773	160,483	162,000	175,977	186,395	214,582	223,062	243,746	299,091	300,032
Committed	19,716	22,921	27,486	40,196	42,508	40,652	45,169	41,896	47,182	59,131
Assigned	82,511	80,219	64,142	75,821	107,833	109,692	108,333	130,735	120,579	127,620
Unassigned	(38,012)	(47,512)	(70,581)	(51,622)	(14,876)	(25,369)	(11,113)	(39,921)	(161,127)	(201,583)
Total all other governmental funds	<u>240,028</u>	<u>217,151</u>	<u>184,099</u>	<u>241,442</u>	<u>322,930</u>	<u>340,627</u>	<u>366,521</u>	<u>377,526</u>	<u>306,795</u>	<u>286,270</u>

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (In thousands)
(Modified accrual basis of accounting)

City of Austin, Texas
Table 5

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Property taxes	381,611	419,965	446,876	474,704	509,104	554,411	616,424	671,238	729,633	942,369
Sales taxes	164,193	176,198	189,464	204,029	212,634	218,790	232,319	248,813	246,658	281,784
Franchise fees and other taxes	98,903	114,039	128,032	141,368	147,773	151,670	159,754	175,182	117,810	120,085
Fine, forfeitures, and penalties	20,251	21,128	22,520	22,884	20,079	17,628	15,764	14,408	8,505	5,528
Licenses, permits, and inspections	22,664	28,669	33,719	39,805	50,186	61,450	54,424	16,648	15,619	20,065
Charges for services/goods	56,397	63,568	72,924	86,576	98,911	81,368	84,315	85,381	74,908	78,970
Intergovernmental	76,233	76,085	79,407	62,622	56,746	59,572	65,632	73,829	192,743	186,511
Property owners' participation and contributions	6,624	10,167	12,718	12,763	14,554	14,659	16,355	21,525	22,911	36,992
Interest and other	15,932	24,345	21,393	21,517	38,334	27,050	34,254	45,848	40,689	40,184
Total revenues	842,808	934,164	1,007,053	1,066,268	1,148,321	1,186,598	1,279,241	1,352,872	1,449,476	1,712,488
Expenditures										
General government	74,846	84,504	91,668	102,222	118,773	128,708	138,011	145,587	213,746	251,843
Public safety	483,458	497,371	528,670	565,070	576,461	593,406	597,085	619,308	548,210	640,385
Transportation, planning, and sustainability	7,556	16,007	14,053	7,032	7,039	5,125	5,162	5,734	3,617	152,070
Public health	65,861	69,418	74,310	80,630	92,076	101,025	106,016	108,635	256,316	176,753
Public recreation and culture	80,818	92,282	99,780	110,745	116,531	126,599	134,575	133,422	128,753	130,105
Urban growth management	80,021	97,840	106,715	116,912	155,459	127,982	150,635	108,175	142,816	271,505
Debt service:										
Principal	71,906	69,625	69,768	71,532	80,859	87,367	99,572	128,163	137,841	150,825
Interest	46,188	48,199	49,367	55,794	61,388	61,862	64,674	64,570	68,070	67,710
Fees and commissions	16	17	6	9	13	13	27	31	29	33
Capital outlay	178,380	214,294	257,420	186,870	142,822	130,783	139,324	202,954	359,503	255,277
Total expenditures	1,089,050	1,189,557	1,291,757	1,296,816	1,351,421	1,362,870	1,435,081	1,516,579	1,858,901	2,096,506
Excess (deficiency) of revenues over expenditures	(246,242)	(255,393)	(284,704)	(230,548)	(203,100)	(176,272)	(155,840)	(163,707)	(409,425)	(384,018)
Other financing sources (uses)										
Issuance of tax supported debt	145,175	131,499	154,444	159,939	142,775	130,665	118,216	96,341	207,750	180,366
Issuance of refunding bonds	58,347	--	107,923	--	139,690	54,970	--	--	12,620	78,949
Bond premiums	8,207	8,452	16,212	20,093	33,305	35,430	17,237	6,200	27,875	50,545
Payment to escrow agent	(66,554)	--	(113,836)	--	(159,589)	(68,744)	--	--	(13,238)	(93,417)
Capital leases	--	--	--	--	--	--	--	--	23,702	--
Transfers in	178,768	209,161	221,868	239,666	248,331	222,540	242,856	272,354	306,332	361,844
Transfers out	(76,838)	(99,667)	(114,385)	(150,123)	(140,407)	(170,067)	(155,455)	(187,682)	(190,468)	(220,218)
Total other financing sources (uses)	247,105	249,445	272,226	269,575	264,105	204,794	222,854	187,213	374,573	358,069
Special item	--	--	15,830	11,983	4,309	--	--	10,201	--	--
Net change in fund balances	863	(5,948)	3,352	51,010	65,314	28,522	67,014	33,707	(34,852)	(25,949)
Debt service as a percentage of noncapital expenditures	12.9%	11.5%	11.2%	11.3%	11.5%	11.9%	12.8%	14.7%	13.9%	12.2%

Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years (In thousands)
(Modified accrual basis of accounting)

City of Austin, Texas
 Table 6

Fiscal Year Ended Sept. 30	Franchise Fees and Other Taxes						Total
	Property Tax	Sales Tax	Franchise Fees	Hotel-Motel Occupancy Tax	Mixed Drink Tax	Vehicle Rental Tax	
	\$	\$	\$	\$	\$	\$	\$
2012	381,611	164,193	34,348	51,434	5,964	7,157	644,707
2013	419,965	176,198	37,001	61,753	6,941	8,344	710,202
2014	446,876	189,464	39,366	70,683	9,355	8,628	764,372
2015	474,704	204,029	39,984	82,361	10,352	8,671	820,101
2016	509,104	212,634	38,858	88,661	11,177	9,077	869,511
2017	554,411	218,790	38,177	92,545	11,588	9,360	924,871
2018	616,424	232,319	37,888	99,218	12,653	9,995	1,008,497
2019	671,238	248,813	37,308	111,751	13,782	12,341	1,095,233
2020	729,633	246,658	30,452	71,348	9,308	6,702	1,094,101
2021	942,369	281,784	27,930	71,486	11,873	8,796	1,344,238
Change 2012-2021	146.9%	71.6%	-18.7%	39.0%	99.1%	22.9%	

**Property Appraised Value, Taxable Value, Tax Rates,
Tax Levies, and Tax Collections
Last Ten Fiscal Years**

City of Austin, Texas
Table 7

Fiscal Year Ended Sept. 30	Valuation Date (January 1)	Ratio of Taxable Value to Appraised Value %	Total Appraised Value at January 1 \$	Less Exemptions (October 1) \$	Total Taxable Value (October 1) \$	Percent of Growth In Taxable Value %	Tax Rate (per \$100 Valuation)				
							General Fund	Debt Service Fund	Project Connect Fund	Total	Percentage Change in Tax Rate %
2012	2011	87.04	91,015,898,946	11,796,118,067	79,219,780,879	2.06	0.3551	0.1260	-	0.4811	5.25
2013	2012	87.30	95,412,581,152	12,118,044,659	83,294,536,493	5.14	0.3821	0.1208	-	0.5029	4.53
2014	2013	86.94	102,102,789,438	13,336,691,278	88,766,098,160	6.57	0.3856	0.1171	-	0.5027	(0.04)
2015	2014	84.70	116,469,347,283	17,817,167,853	98,652,179,430	11.14	0.3691	0.1118	-	0.4809	(4.34)
2016	2015	81.06	136,703,100,149	26,177,073,750	110,526,026,399	12.04	0.3527	0.1062	-	0.4589	(4.57)
2017	2016	79.97	156,764,185,067	31,392,530,411	125,371,654,656	13.43	0.3399	0.1019	-	0.4418	(3.73)
2018	2017	80.44	172,067,755,668	33,649,108,408	138,418,647,260	10.41	0.3393	0.1055	-	0.4448	0.68
2019	2018	80.53	188,936,370,655	36,788,864,886	152,147,505,769	9.92	0.3308	0.1095	-	0.4403	(1.01)
2020	2019	80.64	204,860,740,992	39,666,633,105	165,194,107,887	8.57	0.3337	0.1094	-	0.4431	0.64
2021	2020	81.24	218,073,161,273	41,401,377,964	176,671,783,309	6.95	0.3334	0.1126	0.0875	0.5335	20.40
2022	2021	(1) 76.54	239,760,485,449	56,254,166,259	183,506,319,190	3.87	0.3390	0.1130	0.0890	0.5410	1.41

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Fiscal Year Ended Sept. 30	Valuation Date (January 1)	Total Tax Levy (October 1) \$	Collected within the Fiscal Year of the Levy		Net Collections in Subsequent Years \$	Total Collections to Date		Total Outstanding Delinquencies (2)	
			Amount \$	Percentage of Levy %		Amount \$	Percentage of Levy %	Amount \$	Percentage of Levy %
2012	2011	381,126,366	378,351,758	99.27	1,313,394	379,665,152	99.72	12,177,159	3.20
2013	2012	418,888,224	416,202,468	99.36	1,722,432	417,924,900	99.65	12,662,032	3.02
2014	2013	446,227,175	442,872,352	99.25	1,207,812	444,080,164	99.55	13,037,334	2.92
2015	2014	474,418,331	470,959,014	99.27	1,329,358	472,288,371	99.42	14,469,523	3.05
2016	2015	507,203,935	504,891,858	99.54	624,124	505,515,982	99.32	13,711,114	2.70
2017	2016	553,891,970	551,107,380	99.50	(1,258,782)	549,848,598	99.31	13,903,694	2.51
2018	2017	615,686,143	612,423,673	99.47	(1,161,256)	611,262,417	99.37	14,403,647	2.34
2019	2018	669,905,468	666,262,136	99.46	(922,964)	665,339,172	99.21	15,104,516	2.25
2020	2019	731,975,092	725,918,569	99.17	85,518	726,004,087	99.17	15,986,530	2.18
2021	2020	942,543,964	935,755,154	99.28	--	935,755,154	99.28	10,161,325	1.08
2022	2021	(1) 992,769,187	**	**	**	**	**	**	**

** Information not yet available for fiscal year 2022.

Note: Appraisal district appraises property at market value.

- (1) Appraised value at January 1, 2021, is subject to change pending additional exemptions and appeals. Accordingly, the tax levy represents an estimate.
- (2) The total amount of outstanding delinquencies for all prior years as of fiscal year end.

**Assessed Taxable Property Value by Class
Last Ten Fiscal Years (In thousands)**

**City of Austin, Texas
Table 8**

Fiscal Year	Single Family Property	Multi-Family Property	Land	Commercial Property	Personal Property	Total Assessed Taxable Value	Tax Rates (per \$100 Assessed Value)
Sept. 30	\$	\$	\$	\$	\$	\$	\$
2012	40,599,766	9,910,886	1,646,815	18,880,729	9,051,096	80,089,292	0.4811
2013	41,050,945	11,115,108	1,599,889	20,237,454	9,575,131	83,578,527	0.5029
2014	43,262,362	12,628,999	1,543,314	21,774,725	9,280,001	88,489,401	0.5027
2015	47,675,285	15,190,842	1,600,848	24,521,122	9,744,775	98,732,872	0.4809
2016	50,576,097	18,362,372	1,736,615	29,885,285	10,183,100	110,743,469	0.4589
2017	56,088,650	21,991,357	2,005,473	35,465,401	10,227,269	125,778,150	0.4418
2018	61,853,216	24,882,015	2,220,397	39,794,515	10,139,354	138,889,497	0.4448
2019	67,383,868	27,728,130	2,392,338	44,758,799	10,403,146	152,666,281	0.4403
2020	72,906,918	30,805,029	3,075,851	49,014,361	10,265,796	166,067,955	0.4431
2021	75,295,422	32,387,327	3,073,519	53,174,245	10,191,646	174,122,159	0.5335

Source: July certified tax rolls received from Travis, Williamson, and Hays Central Appraisal Districts. Excludes exemptions and appeal adjustments made between January 1 appraisal date and July certified roll date.

Note: Does not reflect appeal adjustments between July and October 1 assessment date. See Table 7 for additional property tax information.

Property Taxes and Tax Levies for Direct and Overlapping Governments with Applicable Percentages Over 10% Last Ten Fiscal Years

**City of Austin, Texas
Table 9**

Government	Tax Rates (per \$100 Assessed Value) for Fiscal Year Ended September 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
City of Austin	0.4811	0.5029	0.5027	0.4809	0.4589	0.4418	0.4448	0.4403	0.4431	0.5335
Austin Community College	0.0948	0.0951	0.0949	0.0942	0.1005	0.1020	0.1008	0.1048	0.1049	0.1058
Austin Independent School District	1.2420	1.2420	1.2420	1.2220	1.2020	1.1920	1.1920	1.1920	1.1220	1.1027
Del Valle Independent School District	1.5300	1.5300	1.4700	1.4700	1.5300	1.5200	1.4600	1.3900	1.3100	1.2570
Eanes Independent School District	1.2125	1.2125	1.2125	1.2125	1.2125	1.2125	1.2000	1.2000	1.1300	1.1164
Leander Independent School District	1.4998	1.5119	1.5119	1.5119	1.5119	1.5119	1.5119	1.5100	1.4375	1.4184
Manor Independent School District	1.5150	1.5150	1.5150	1.5150	1.5150	1.5150	1.5150	1.5150	1.4700	1.4427
North Austin MUD #1	0.3719	0.3450	0.3450	0.3399	0.3170	0.2890	0.2880	0.2830	0.2830	0.2817
Northwest Travis County RD #3 (1)	0.1550	0.1300	0.1223	--	--	--	--	--	--	--
Pflugerville Independent School District	1.4800	1.5400	1.5400	1.5400	1.5400	1.5400	1.5400	1.5200	1.4500	1.4223
Round Rock Independent School District	1.3350	1.3800	1.3674	1.3375	1.3325	1.3325	1.3048	1.3048	1.2348	1.2212
Travis County (2)	0.4855	0.5001	0.4946	0.4563	0.4169	0.3838	0.3690	0.3542	0.3693	0.3744
Travis County Healthcare District	0.0789	0.0789	0.1290	0.1264	0.1178	0.1105	0.1074	0.1052	0.1056	0.1103

Government	Tax Levies (in 000's) for Fiscal Year Ended September 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
City of Austin	381,126	418,888	446,227	474,418	507,204	553,892	615,686	669,905	731,975	942,544
Austin Community College	80,596	84,766	90,079	99,308	121,203	140,069	153,797	176,161	190,826	193,895
Austin Independent School District	746,896	775,231	834,029	918,306	1,030,642	1,174,333	1,312,699	1,448,359	1,484,391	1,554,355
Del Valle Independent School District	44,867	46,004	51,559	53,414	60,093	67,076	75,395	86,276	94,457	101,403
Eanes Independent School District	111,792	116,443	123,749	135,138	148,545	164,250	173,161	184,415	182,995	187,008
Leander Independent School District	195,248	204,896	219,988	248,089	273,849	305,591	336,487	370,356	383,124	400,096
Manor Independent School District	40,609	48,860	47,605	63,098	58,687	70,423	74,155	81,305	84,123	90,436
North Austin MUD #1	2,713	2,660	2,661	2,968	3,131	293	304	329	357	368
Northwest Travis County RD #3 (1)	607	565	568	--	--	--	--	--	--	--
Pflugerville Independent School District	105,197	111,719	118,412	133,432	147,355	166,578	189,307	215,566	226,363	242,003
Round Rock Independent School District	268,675	287,687	288,217	332,436	360,251	360,251	401,198	428,841	470,534	488,014
Travis County (2)	466,691	503,068	529,149	543,863	568,520	592,824	632,925	671,334	755,171	813,304
Travis County Healthcare District	75,928	79,480	138,132	150,765	160,701	170,812	184,237	199,366	215,815	239,562

Source: Travis Central Appraisal District, Williamson Central Appraisal District, Hays Central Appraisal District, and taxing entities.

Note:

- (1) Northwest Travis County RD #3 was dissolved in 2014.
- (2) Includes taxes and levies for Travis County and Farm to Market Roads.

**Principal Property Taxpayers
Current Year and Nine Years Ago**

**City of Austin, Texas
Table 10**

		Fiscal Year Ended September 30					
		2021			2012		
Taxpayer	Type of Property	January 1, 2020 Assessed	Rank	Percent of Total Assessed Valuation of	January 1, 2011 Assessed	Rank	Percent of Total Assessed Valuation of
		Valuation		\$ 176,671,783,309	Valuation		\$ 79,219,780,879
		\$		%	\$		%
Samsung Austin Semiconductor LLC	Manufacturing	1,105,637,966	1	0.63	2,931,131,761	1	3.70
Applied Materials Inc.	Manufacturing	652,655,147	2	0.37			
Columbia/St. Davids Health Care	Hospital/Medical	556,202,234	3	0.31	469,269,754	3	0.59
Apple	Manufacturing	477,000,000	4	0.27			
Finley Company	Commercial	458,826,932	5	0.26			
Oracle America Inc	Manufacturing	421,313,663	6	0.24			
CSHV-401 Congress LLC	Commercial	410,868,000	7	0.23			
Domain Retail Property Owner LP	Commercial	379,221,401	8	0.21			
Icon IPC TX Property Owner	Commercial	377,003,136	9	0.21			
GW Block 23 Office LLC	Commercial	375,000,000	10	0.21			
TPG-300 West 6th Street LLC	Commercial				815,137,425	2	1.03
Freescale Semiconductor, Inc.	Manufacturing				266,777,729	4	0.34
IBM Corporation	Manufacturing				242,656,839	5	0.31
Dell Computer Corporation	Manufacturing				212,097,537	6	0.27
Shopping Center at Gateway LP	Commercial				206,168,052	7	0.26
Brandywine Acquisition Partners LP	Commercial				186,629,544	8	0.24
Advanced Micro Devices, Inc.	Manufacturing				179,886,526	9	0.23
HEB Grocery Company LP	Retail				160,358,893	10	0.20
Total assessed valuation		5,213,728,479		2.95	5,670,114,060		7.16

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Source: Travis, Williamson and Hays Central Appraisal Districts

**Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years**

Fiscal Year Ended Sept. 30	City Direct Rate (1)	Capital Metro Rate (2)	State of Texas Rate (3)
	%	%	%
2012	1.00	1.00	6.25
2013	1.00	1.00	6.25
2014	1.00	1.00	6.25
2015	1.00	1.00	6.25
2016	1.00	1.00	6.25
2017	1.00	1.00	6.25
2018	1.00	1.00	6.25
2019	1.00	1.00	6.25
2020	1.00	1.00	6.25
2021	1.00	1.00	6.25

Sources: Capital Metro, Comptroller of Public Accounts, and City of Austin

- (1) City of Austin 1% sales tax levy effective January 1, 1968
- (2) Capital Metro 1% sales tax levy effective October 1, 1995
- (3) State of Texas 6.25% sales tax levy effective July 1, 1990

**Taxable Sales by Category
Last Ten Fiscal Years (In thousands)**

**City of Austin, Texas
Table 12**

	Fiscal Year Ended September 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Agriculture, forestry, fishing, hunting	4,212	4,804	5,510	7,214	4,915	4,242	4,196	5,598	13,254	14,519 (1)
Mining	6,549	15,455	52,267	30,534	26,795	46,353	161,286	184,006	149,763	60,090
Construction	471,658	551,199	628,533	685,990	749,637	847,409	942,859	1,064,081	1,126,733	874,360
Manufacturing	1,644,016	1,755,428	1,747,367	1,931,586	2,058,115	2,457,238	2,982,218	3,399,973	4,285,484	5,342,793
Transportation, warehousing, utilities	512,542	565,999	439,136	414,567	386,898	358,473	399,288	371,458	409,606	440,820
Wholesale trade	804,224	854,964	993,560	1,047,647	1,109,486	1,172,432	1,226,960	1,327,686	1,328,664	1,350,843
Retail trade	6,225,353	6,413,528	6,632,916	7,015,660	7,257,673	7,226,473	7,415,440	7,763,599	7,268,641	7,812,586
Finance, insurance, real estate	237,753	260,982	273,513	305,481	439,690	410,974	456,237	425,299	359,903	328,466
Services	1,395,058	1,510,025	1,555,087	1,657,323	1,821,721	2,013,496	2,113,531	2,249,708	2,142,881	2,142,952
Public administration	472,311	504,887	519,273	544,881	542,879	514,568	531,250	549,388	507,610	477,727
Other	2,659,664	2,987,032	3,298,976	3,608,581	3,860,724	4,060,060	4,333,710	4,584,679	3,819,304	4,143,769
Total taxable sales by category	14,433,340	15,424,303	16,146,138	17,249,464	18,258,533	19,111,718	20,566,975	21,925,475	21,411,843	22,988,925 (2)

Source: State of Texas Comptroller of Public Accounts

Note: Data subject to change as more precise numbers become available.

(1) For Agriculture, forestry, fishing and hunting, data not available for fourth quarter of fiscal year 2017.

(2) Data not available for all categories for second, third, and fourth quarters of fiscal year 2021. Data is an average using last three fiscal quarters.

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (In thousands except per capita)**

Governmental Activities					
Fiscal Year Ended Sept. 30	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capital Lease Obligations	Total Governmental Activities
	\$	\$	\$	\$	\$
2012	877,811	95,426	44,570	159	1,017,966
2013	902,750	114,798	67,788	--	1,085,336
2014	974,855	135,829	85,036	--	1,195,720
2015	1,030,680	165,350	102,396	--	1,298,426
2016	1,108,558	166,201	101,012	--	1,375,771
2017	1,109,766	214,394	111,868	--	1,436,028
2018	1,123,455	239,446	94,064	9,880	1,466,845
2019	1,081,774	235,667	93,938	9,880	1,421,259
2020	1,143,341	244,725	98,448	26,203	1,512,717
2021	1,098,303	328,343	100,471	21,087	1,548,204

Business-type Activities									
Fiscal Year Ended Sept. 30	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Other Tax Supported Debt	Commercial Paper Notes	Revenue Bonds (1)	Revenue Notes from Direct Placements (1)	Capital Lease Obligations	Total Business-type Activities
	\$	\$	\$	\$	\$	\$	\$	\$	\$
2012	34,661	34,456	52,298	10,605	305,026	3,912,980	31,815	1,218	4,383,059
2013	31,381	33,658	55,508	9,915	193,991	4,113,451	90,750	1,176	4,529,830
2014	33,701	27,232	65,854	9,195	241,456	4,208,958	89,685	1,135	4,677,216
2015	28,852	40,695	54,686	8,450	200,581	4,512,192	88,625	1,089	4,935,170
2016	24,073	58,814	45,537	7,655	129,916	4,491,807	86,685	1,040	4,845,527
2017	20,303	55,242	32,895	7,116	146,097	4,748,777	132,425	989	5,143,844
2018	16,217	52,277	26,518	6,905	254,767	4,532,336	169,465	934	5,059,419
2019	12,820	49,585	21,010	6,115	129,300	5,465,167	162,185	878	5,847,060
2020	16,545	39,786	17,925	5,340	366,480	5,228,311	172,830	819	5,848,036
2021	17,868	32,049	16,842	4,520	178,600	5,460,516	198,150	756	5,909,301

Fiscal Year Ended Sept. 30	Total Primary Government	Percentage of Personal Income (2)	Debt Per Capita (2)
	\$	%	\$
2012	5,401,025	0.14	6,578
2013	5,615,166	0.12	6,672
2014	5,872,936	0.12	6,689
2015	6,233,596	0.13	6,933
2016	6,221,298	0.11	6,722
2017	6,579,872	0.12	6,955
2018	6,526,264	0.11	6,771
2019	7,268,319	0.11	7,410
2020	7,360,753	0.11	7,653 (3)
2021	7,457,505	0.10	7,646

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) The City implemented GASB Statement No. 88 in fiscal year 2019, which expands note disclosures related to direct borrowings and direct placements. These columns were restated.
(2) Population and personal income statistics can be found in Table 18.
(3) Figure revised to match the census count numbers.

**Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years (In thousands except per capita)**

**City of Austin, Texas
Table 14**

Fiscal Year Ended Sept. 30	General Bonded Debt Outstanding			Resources Restricted for Repayment of Outstanding Debt Principal	Net General Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Net General Bonded Debt Per Capita (2)
	General Obligation Bonds	Other Tax Supported Debt	Total				
	\$	\$	\$	\$	\$	%	\$
2012	912,472	237,356	1,149,828	17,627	1,132,201	1.43	1,379.03
2013	934,131	281,667	1,215,798	17,068	1,198,730	1.44	1,424.26
2014	1,008,556	323,146	1,331,702	18,368	1,313,334	1.48	1,495.82
2015	1,059,532	371,577	1,431,109	21,725	1,409,384	1.43	1,567.52
2016	1,132,631	379,219	1,511,850	21,629	1,490,221	1.35	1,610.20
2017	1,130,069	421,515	1,551,584	24,587	1,526,997	1.22	1,614.03
2018	1,139,672	419,210	1,558,882	29,283	1,529,599	1.11	1,587.06
2019	1,094,594	406,315	1,500,909	32,154	1,468,755	0.97	1,497.38
2020	1,159,886	406,224	1,566,110	31,285	1,534,825	0.93	1,595.69 (3)
2021	1,116,171	482,225	1,598,396	33,617	1,564,779	0.89	1,604.37

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 7 for property value data.

(2) Population data can be found in Table 18.

(3) Figure revised to match the census count numbers

**Direct and Overlapping Governmental Activities Debt
As of September 30, 2021**

**City of Austin, Texas
Table 15**

Name of Governmental Unit	Net Debt Outstanding as of September 30, 2021 (in 000's) \$	Percent Applicable to City of Austin %	Amount Applicable to City of Austin (in 000's) \$
Direct debt: Governmental activities debt			
General obligation bonds	1,098,303		
Certificates of obligation	328,343		
Contractual obligations	100,471		
Capital leases	21,087		
Total direct debt	<u>1,548,204</u> (1)	100.00	<u>1,548,204</u>
Overlapping debt			
Greater than 10%:			
Austin Community College	436,260	71.14	310,355
Austin Independent School District	1,491,871	95.58	1,425,930
Avery Ranch Road District #1	3,465	100.00	3,465
Del Valle Independent School District	420,930	66.50	279,918
Eanes Independent School District	129,650	39.34	51,004
Leander Independent School District	1,078,957	13.35	144,041
Manor Independent School District	451,765	63.92	288,768
Northtown MUD	24,315	20.07	4,880
Northwoods Road District #1	9,620	100.00	9,620
Pearson Place Road District	4,755	100.00	4,755
Pflugerville Independent School District	570,555	35.01	199,751
Round Rock Independent School District	865,785	51.74	447,957
Travis County	1,054,720	73.38	773,954
Travis County Healthcare District	82,490	73.39	60,539
Williamson County	1,116,790	11.57	129,213
Subtotal greater than 10%	<u>7,741,928</u>		<u>4,134,150</u>
Less than 10%:			
Hays County	519,804	0.64	3,327
Travis County MUD #8	9,369	0.98	92
Travis County WC & ID #10	40,260	3.58	1,441
Travis County WC & ID #17	49,304	0.10	49
Subtotal less than 10%	<u>618,737</u>		<u>4,909</u>
Total overlapping debt	<u>8,360,665</u>		<u>4,139,059</u>
Total direct and overlapping debt	<u><u>9,908,869</u></u>		<u><u>5,687,263</u></u>
Ratio of total direct and overlapping debt to assessed valuation (2)		3.22 %	
Per capita of total direct and overlapping debt (3)		\$ 5,831.17	

Source: Taxing jurisdictions, Travis, Williamson, and Hays Central Appraisal Districts and Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the City residents and businesses. This process recognizes 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.

- (1) Excludes general obligation debt reported in business-type activities. See Note 6.
- (2) Based on assessed valuation of \$176,671,783,309 provided by the Travis, Williamson, and Hays Central Appraisal Districts.
- (3) Based on 2021 population of 975,321.

**Legal Debt Margin Information
Last Ten Fiscal Years (In thousands)**

**City of Austin, Texas
Table 16**

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed taxable value (1)	\$ 174,905,065
Debt limit (2)	25,758,656
Debt applicable to limit:	
General obligation debt	1,456,730
Less: Amount set aside for repayment of general obligation debt	<u>(33,617)</u>
Total net debt applicable to limit	<u>1,423,113</u>
Legal debt margin	<u><u>\$ 24,335,543</u></u>

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	11,550,204	12,144,302	12,942,046	14,383,428	16,114,633	18,279,122	20,181,369	22,183,034	24,085,222	25,758,656
Total net debt applicable to limit	1,102,536	1,163,822	1,253,012	1,332,360	1,387,051	1,401,193	1,403,032	1,357,421	1,417,745	1,423,113
Legal debt margin	10,447,668	10,980,480	11,689,034	13,051,068	14,727,582	16,877,929	18,778,337	20,825,613	22,667,477	24,335,543
Total net debt applicable to the limit as a percentage of debt limit	9.55%	9.58%	9.68%	9.26%	8.61%	7.67%	6.95%	6.12%	5.89%	5.52%

Note: Ad valorem tax limitations: 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 payment of principal and interest on general obligation long-term debt. However, under the City Charter, a limitation 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 per assessed valuation. A practical limitation on taxes levied for debt service of \$1.50 per \$100 of addressed valuation is established by referring to the State Statute and City Charter limitations.

(1) Assessed value 100% of estimated market value as of January 1, 2020, of \$176,671,783,309 at a 99% collection rate.

(2) Assuming the maximum tax rate for debt service of \$1.50 on January 1, 2020, for collections on \$174,905,065 results in tax revenues of \$2,623,576, this revenue could service the debt on \$25,758,656 issued as 8% 20-year serial bonds with level debt service payments.

**Pledged-Revenue Coverage
Last Ten Fiscal Years (In thousands)**

**City of Austin, Texas
Table 17**

Fiscal Year Ended Sept. 30	Electric Revenue Bonds						Water and Wastewater Revenue Bonds					
	Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)	Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)
				Principal	Interest					Principal	Interest	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2012	1,190,798	875,675	315,123	75,772	92,959	1.87	443,028	178,891	264,137	67,295	110,872	1.48
2013	1,295,116	927,294	367,822	105,091	71,052	2.09	477,013	209,890	267,123	75,186	113,826	1.41
2014	1,375,294	1,028,794	346,500	83,151	60,101	2.42	472,717	218,071	254,646	98,245	105,901	1.25
2015	1,359,097	978,283	380,814	47,904	59,017	3.56	517,253	208,307	308,946	97,176	124,134	1.40
2016	1,378,749	989,768	388,981	65,132	62,599	3.05	563,066	217,457	345,609	79,564	105,186	1.87
2017	1,373,020	1,018,604	354,416	44,278	60,692	3.38	601,928	233,592	368,336	85,927	141,455	1.62
2018	1,417,232	1,083,928	333,304	34,971	58,657	3.56	581,324	250,223	331,101	57,712	152,572	1.57
2019	1,471,267	1,105,466	365,801	37,007	54,364	4.00	560,168	261,004	299,164	33,888	129,707	1.83
2020	1,388,841	1,066,666	322,175	78,348	72,725	2.13	571,100	266,060	305,040	57,060	103,455	1.90
2021	1,276,554	980,277	296,277	78,886	78,245	1.89	568,031	272,750	295,281	73,129	99,871	1.71

Fiscal Year Ended Sept. 30	Airport Revenue Bonds						Convention Center Revenue Bonds						
	Service Charges (1)	Other Available Funds (5)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)	User Fees and Revenue Transfers (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)		Coverage (4)
					Principal	Interest					Principal	Interest	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2012	96,344	3,594	65,689	34,249	7,473	6,902	2.38	63,345	35,640	27,705	9,450	8,423	1.55
2013	103,705	3,805	69,338	38,172	8,438	6,783	2.51	73,977	44,684	29,293	10,205	7,991	1.61
2014	109,263	3,620	73,822	39,061	8,520	5,960	2.70	82,971	41,142	41,829	10,750	7,278	2.32
2015	120,780	3,551	76,995	47,336	9,264	4,941	3.33	94,847	47,746	47,101	10,930	6,691	2.67
2016	137,826	3,700	82,330	59,196	9,616	5,184	4.00	106,037	45,306	60,731	11,740	6,352	3.36
2017	154,570	4,830	94,139	65,261	13,003	6,316	3.38	118,013	54,533	63,480	12,150	5,653	3.57
2018	176,235	5,469	108,045	73,659	15,906	5,969	3.37	115,934	60,807	55,127	12,955	4,713	3.12
2019	191,166	6,107	118,610	78,663	14,836	9,593	3.22	138,439	66,280	72,159	13,440	4,109	4.11
2020	174,257 (6)	7,446	118,053	63,650	6,205	23,578	2.14	95,905	55,156	40,749	13,965	3,782	2.30
2021	186,715 (7)	11,178	101,963	95,930	17,181	27,529	2.15	55,780	43,800	11,980	9,310	3,188	0.96

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Operating revenue, rental tax revenue, hotel tax revenue, and interest income.
- (2) Operating expenses other than interest on debt, depreciation, amortization, and year-end unfunded other postemployment benefit and pension expenses.
- (3) Debt service calculations are done on a cash basis rather than the accrual basis used in preparation of the financial statements. Airport excludes debt service amounts paid with passenger facility charge revenue and restricted bond proceeds applied to current interest payments.
- (4) Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest payments made during each fiscal year. Coverage includes prior, subordinate, and separate lien bonds only. For Austin Water and Convention Center, this methodology does not follow exactly the coverage calculation required by the master ordinance.
- (5) Pursuant to bond ordinance, Airport is authorized to use "other available funds" in the calculation of revenue bond coverage to not exceed 25% of the debt service requirements.
- (6) Gross revenue includes funds from the CARES Act of \$21.5 million.
- (7) Gross revenue includes funds from the CARES Act of \$29.9 million.

**Demographic and Economic Statistics
Last Ten Fiscal Years**

**City of Austin, Texas
Table 18**

Fiscal Year Ended Sept. 30	City of Austin Population (1)	Area of Incorporation (Sq. Miles) (1)	Population MSA (2)	Income (MSA) (thousands of dollars) (2)	Median Household Income MSA (3)	Per Capita Personal Income MSA (2)	Unemployment Rate (MSA) (4)
				\$	\$	\$	%
2012	821,012	319	1,834,926	85,635,903	46,818	46,670	5.7
2013	841,649	321	1,883,901	88,950,627	46,436	47,216	5.2
2014	878,002	321	1,943,409	97,181,958	49,227	50,006	4.2
2015	899,119	323	2,002,591	103,244,100	52,519	51,555	3.4
2016	925,491	326	2,062,211	107,664,294	56,163	52,208	3.3
2017	946,080	325	2,115,230	117,458,116	56,849	55,530	3.1
2018	963,797	326	2,168,316	127,439,164	63,191	58,773	2.9
2019	980,886	327	2,187,161	138,650,094	65,950	63,393	2.6
2020	961,855 (6)	327	2,235,584	150,639,599	69,001	64,913	6.3
2021	975,321	327	2,298,224 (3)	163,778,682 (5)	71,186	71,300 (5)	3.5
2012-2021 Change	18.79%	2.51%	25.25%	91.25%	52.05%	52.77%	

- (1) Source: City Demographer, City of Austin, Housing and Planning Department based on full purpose area as of April 1, 2021.
- (2) Source: Bureau of Economic Analysis for all years except 2021 which will not be available until first quarter 2022.
- (3) Source: Nielsen SiteReports.
- (4) Source: Bureau of Labor Statistics, United States Department of Labor as of September 30, 2021.
- (5) Data not available for 2021. Figures are estimated.
- (6) Figure revised to match the census count numbers.

**Principal Employers
Current Year and Nine Years Ago**

**City of Austin, Texas
Table 19**

10 Largest Employers	Industry	Fiscal Year Ended September 30					
		2021			2012		
		Rank	Employees	Percent of MSA Total (1) %	Rank	Employees	Percent of MSA Total (1)(8) %
State Government	Government	1	39,685 (2)	3.42	1	36,462	4.28
The University of Texas at Austin	Education	2	28,061 (3)	2.42	2	22,956	2.69
H-E-B	Retail	3	19,008 (7)	1.64	8	10,545	1.24
Ascension Seton	Healthcare	4	15,218 (7)	1.31	4	12,606	1.48
Federal Government	Government	5	15,000 (4)	1.29	6	11,400	1.34
Walmart Stores Inc.	Retail	5	15,000 (7)	1.29			
City of Austin	Government	7	14,964 (5)	1.29	5	12,124 (8)	1.42
Dell Computer Corporation	Computers	8	13,000 (7)	1.12	3	14,000	1.64
Amazon.com LLC	Retail	9	11,000 (7)	0.95			
Austin Independent School District	Education	10	10,940 (6)	0.94	7	11,168	1.31
St. David's Healthcare Partnership	Healthcare				9	7,500	0.88
IBM Corporation	Computers				10	6,239	0.73
			<u>181,876</u>	<u>15.67</u>		<u>145,000</u>	<u>17.01</u>

Notes: Data subject to change as more precise numbers become available.

- (1) Texas Workforce Commission: Total refers to a Metropolitan Statistical Area (MSA) employed work force of 1,159,100 for 2021 and 852,000 for 2012.
- (2) Texas State Auditor's Office: Regular and Part Time State Employees for 2021 in Bastrop, Caldwell, Hays, Travis and Williamson Counties.
- (3) The University of Texas at Austin: Appointments and WD Filled Positions.
- (4) Bureau of Labor Statistics Federal Government employees in Austin MSA in September 2021.
- (5) 2021-22 City of Austin Approved Budget, page 573 (Personnel Summary: 2021-22 Amended column).
- (6) Texas Education Agency 2020-2021 Staff Information for AISD District Number 227901.
- (7) Austin Business Journal, July 2021.
- (8) Figure revised.

**Full-time Equivalent Employees by Function/Program
Last Ten Fiscal Years**

**City of Austin, Texas
Table 20**

Function/Program	Fiscal Year Ended September 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
General government	173	177	232	235	238	239	240	254	262	257
Public safety	4,117	4,219	4,281	4,401	4,523	4,664	4,676	4,732	4,825	4,708
Transportation, planning, and sustainability	4	7	9	14	14	14	14	14	14	14
Public health	520	513	513	532	575	592	598	641	648	688
Public recreation and culture	887	917	985	1,009	1,075	1,088	1,096	1,122	1,137	1,149
Urban growth management (1)	378	386	411	417	449	472	474	119	126	120
Total governmental employees	6,079	6,219	6,431	6,608	6,874	7,069	7,098	6,882	7,012	6,936
Business-type activities										
Electric	1,722	1,719	1,682	1,676	1,674	1,718	1,749	1,774	1,784	1,813
Water	535	553	592	587	590	604	611	623	639	647
Wastewater	534	541	566	560	558	566	574	577	579	589
Airport	347	351	362	379	415	456	489	538	549	549
Convention	239	239	251	250	266	277	296	300	301	301
Environmental and health services	467	499	523	522	546	573	608	610	630	652
Public recreation	33	33	38	41	41	41	41	41	41	41
Urban growth management (1)	681	693	767	775	809	881	923	1,403	1,452	1,561
Total business-type employees	4,558	4,628	4,781	4,790	4,899	5,116	5,291	5,866	5,975	6,153
Internal Services (2)	1,487	1,524	1,570	1,579	1,598	1,640	1,649	1,723	1,785	1,875
Total full-time equivalent employees	12,124	12,371	12,782	12,977	13,371	13,825	14,038	14,471	14,772	14,964

Source: Budget Office

Notes:

(1) Development Services are reflected in Business-type activities beginning in fiscal year 2019.

(2) Internal service activities are allocated to other programs and functions on a government-wide basis.

**Operating Indicators by Function/Program
Last Ten Fiscal Years**

**City of Austin, Texas
Table 21**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
General government										
Municipal court cases filed	323,513	364,930	369,906	351,757	323,504	306,689	239,367	185,602	139,801	128,988
Number of warrants prepared	89,969	88,401	88,400	82,311	71,159	66,391	51,271	50,450	22,082	17,704
Jail cases prepared	103,126	93,949	96,744	92,765	92,946	95,145	85,949	71,457	50,731	38,623
Public safety										
Number of incidents responded to by patrol officers	638,006	623,768	595,292	572,623	572,303	570,707	600,053	686,263	431,970	372,681
Number of citation violations issued by APD officers	152,971	187,033	184,254	156,088	143,173	128,925	89,149	73,139	39,315	22,425
Fire emergency responses	84,473	86,641	89,538	89,563	81,973	86,665	87,934	92,612	89,795	103,635
Fire responses	2,086	2,404	2,129	2,066	2,120	2,505	2,540	2,283	2,511	3,073
Fire inspections	23,837	29,602	32,619	35,154	36,259	36,393	31,187	26,232	23,121	27,572
EMS response units dispatched	128,334	133,160	138,881	157,827	159,992	145,489	131,207	134,427	130,873	141,754
EMS 911 calls received	117,310	127,772	126,638	140,212	143,804	146,448	143,353	139,020	137,399	152,574
EMS ground patient transports	75,510	75,123	76,791	82,987	78,725	78,164	74,924	75,618	68,783	68,757
Public health										
Number of animals sheltered	19,392	19,760	19,137	18,630	17,431	17,284	16,406	18,873	11,365	11,274
Birth and death certificates	57,841	61,918	69,678	71,293	74,946	75,565	71,054	73,683	64,772	70,747
STD patient clinic visits	13,033	12,927	12,956	13,722	13,860	12,740	9,236	11,234	8,621	6,699
Number of Shots for Tots Clinics vaccine visits (ages 0-18)	7,960	6,994	7,583	7,541	8,156	8,373	7,322	3,400	6,610	6,454
Food establishment permits issued	10,137	13,968	12,445	12,779	13,227	14,485	13,561	13,866	11,801	11,248
Number of HIV/STD tests provided in outreach settings	3,396	2,221	2,374	2,151	2,558	1,613	2,430	2,807	1,377	1,233
Public recreation and culture										
Volumes in library collection	1,480,479	1,464,512	1,425,914	1,725,535	1,869,385	1,919,511	2,031,770	2,098,116	2,067,174	2,130,735
Library volumes borrowed	4,845,067	5,129,759	5,392,446	5,572,268	5,921,193	5,762,874	6,562,604	7,500,734	6,711,963	8,179,576
Registered library borrowers	494,015	497,527	508,397	542,358	570,446	597,545	640,104	702,023	792,918	408,958
Meals served to senior citizens	65,965	62,053	63,718	78,147	79,183	81,452	90,185	93,713	11,319	8,744
Visits to educational and cultural facilities	388,650	302,778	329,734	256,526	307,136	356,389	395,917	351,304	244,941	69,356
Pool visits	1,098,545	1,312,941	1,202,587	1,253,624	1,115,800	1,403,260	1,603,818	1,509,654	378,610	690,358

(Continued)

Source: Various City departments; budget documents and performance reports

**Operating Indicators by Function/Program
Last Ten Fiscal Years, continued**

**City of Austin, Texas
Table 21**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities continued										
Urban growth management										
Number of neighborhood plan amendments submitted per year	N/A	N/A	21	26	22	22	23	29	24	27
Repair services provided to homeowners	708	533	692	622	708	603	421	423	294	249
Housing related services provided	1,411	861	931	934	1,185	1,011	956	613	1,053	706
Svcs provided through housing/community development activities	3,337	2,438	2,613	2,590	2,896	2,740	2,408	1,777	1,502	4,112
Business-type activities										
Electric										
Electric sales (in millions of KWH)	12,534	12,305	12,572	12,674	12,874	12,983	13,410	13,446	13,262	13,113
Number of metered customers	422,375	430,582	439,403	450,479	461,345	472,701	485,204	496,258	507,660	520,757
Water										
Actual water pumpage (millions of gallons)	47,094	45,902	43,239	43,481	44,687	47,312	48,521	47,312	51,154	51,614
Average daily consumption (thousands of gallons)	117,182	115,555	105,994	103,261	108,887	112,791	113,545	129,664	139,764	141,412
Average daily consumption per capita	142	136	125	122	122	126	124	120	127	126
Peak daily capacity (thousands of gallons)	285,000	285,000	285,000	285,000	335,000	335,000	335,000	335,000	335,000	335,000
Wastewater										
Average daily sewage treatment (millions of gallons)	104	95	102	105	109	104	99	106	99	102
Combined daily capacity (thousands of gallons)	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Airport										
Enplanements	4,662,738	4,928,979	5,275,464	5,792,387	6,180,464	6,729,108	7,739,811	8,464,615	4,723,544	5,207,769
Deplanements	4,654,823	4,928,279	5,244,569	5,769,778	6,161,240	6,676,658	7,711,086	8,442,060	4,711,341	5,187,752
Cargo (in millions of pounds)	155	157	156	158	168	189	183	180	201	233
Convention										
Convention contracts executed	303	306	353	292	279	240	260	266	140	181
Exhibit Hall and Ballroom occupancy level	56	56	59	61	64	65	67	65	25	11
Environmental and health services										
Tons of trash collected	129,653	124,183	127,924	130,784	129,266	131,815	128,829	130,307	136,709	138,955
Tons of recyclables collected	54,009	53,702	55,494	57,324	58,903	58,689	58,647	59,290	63,424	63,030
Tons of brush collected	7,720	7,359	6,692	7,776	9,036	7,367	6,292	6,447	3,323	8,339
Tons of bulk items collected	7,844	8,681	9,068	9,672	12,144	11,334	10,431	11,298	5,506	11,973
Tons of yard trimmings collected	21,712	25,898	27,357	28,680	32,605	34,316	32,244	37,265	48,105	56,481
Public recreation										
Golf rounds played	195,000	201,086	190,244	181,285	196,972	208,118	202,600	191,042	174,183	258,783
Youth sports participants	N/A	18,475	23,769	26,165	22,196	14,581	18,690	20,139	15,911	15,836

(Continued)

Source: Various City departments; budget documents and performance reports

N/A: Information not available

**Operating Indicators by Function/Program
Last Ten Fiscal Years, continued**

**City of Austin, Texas
Table 21**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities continued										
Urban growth management										
Number of new protected bicycle lanes (1)	N/A	N/A	1.7	3.1	3.9	3.1	3.44	6.9	13.6	17.7
Number of collisions in work zones within the right-of-way (1)	N/A	N/A	N/A	N/A	N/A	60	115	131	112	144
Number of parking spaces in the system (1)	N/A	N/A	N/A	N/A	N/A	7,364	8,184	8,626	9,250	9,094
Linear feet of pipeline cleaned	61,099	72,669	69,380	83,716	79,606	78,106	82,819	77,909	41,593	39,308
Number of buildings, properties, & roadways with reduced flood risk	N/A	N/A	N/A	N/A	321	82	41	51	68	13
Tons of stormwater pollution removed by treatment facilities	N/A	N/A	776	778	784	785	786	787	832	844
Lane miles of preventative street maintenance completed	734	857	804	607	659	637	721	606	340	759
Total miles of arterials with bicycle lanes (2)	N/A	N/A	N/A	117	124	125	128	145	145	176
Transit priority working group improvements completed	N/A	N/A	N/A	N/A	N/A	8	17	5	13	11
Percent of DSD controlled activities performed on-time (2)	N/A	N/A	N/A	N/A	N/A	85	86	87	92	87
Percent of operating expenses held in reserve (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	25	31	49
Internal services activities (3)										
Internal services										
Units auctioned off	340	319	379	491	361	307	335	446	457	159
Fleet Availability Rate	91	91	94	94	94	94	93	93	94	93
Payment transactions processed	158,413	170,450	185,463	187,938	174,116	180,556	172,735	160,513	111,884	103,735
Payroll payments	432,216	438,945	453,686	466,928	474,170	487,292	492,045	501,025	499,383	493,509
Employees enrolled in medical benefit plans	11,049	11,219	11,551	11,873	11,991	12,365	12,580	12,857	13,030 (4)	13,074
Requests for council action processed	2,284	2,476	2,284	2,135	2,533	2,278	2,166	2,192	2,240	2,313
Active construction projects managed in-house	380	387	357	336	336	355	348	400	436	431
Land parcels acquired	104	135	160	264	250	122	112	80	112	70

Source: Various City departments; budget documents and performance reports

N/A: Information not available

(1) Measures previously reported in Governmental activities.

(2) Newly implemented performance measure.

(3) Internal service activities are allocated to other programs and functions on a government-wide basis.

(4) Figure revised.

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

**City of Austin, Texas
Table 22**

Function/Program	Fiscal Year Ended September 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Public safety										
Police stations	5	5	5	5	5	5	5	5	5	5
Police zones	9	9	9	9	9	9	9	9	9	9
Patrol units	349	345	372	360	365	360	364	365	365	461
Fire stations	45	45	45	45	45	45	45	46	47	48
EMS stations	35	37	37	37	37	37	42	42	44	46
Public health										
Health facilities (sq. ft.)	381,806	383,306	383,306	383,306	389,221	389,221	389,221	389,221	325,298	375,298
Program vehicles	82	83	90	85	109	111	116	116	89	101
Public recreation and culture										
Libraries	23	23	22	22	22	22	22	22	22	22
District parks	14	15	15	15	15	14	14	14	14	14
Metropolitan parks	11	11	11	11	11	11	11	11	11	11
Natural preserves	15	15	15	15	14	14	15	16	16	16
Greenbelts	39	39	40	43	44	48	50	48	49	65
Neighborhood parks	79	82	84	85	86	90	91	94	95	102
Special parks (museums, etc.)	38	40	40	42	41	37	35	40	40	40
Youth entertainment complexes	1	1	1	1	1	1	1	1	1	1
Recreation centers	20	20	22	23	23	23	23	23	23	22
Open fields	105	100	101	101	101	78	78	78	74	70
Senior activity centers	3	3	3	3	3	3	3	3	3	3
Veloway (miles)	3	3	3	3	3	3	3	3	3	3
Hike and bike trails (miles)	199	185	203	208	227	234	230	208	258	253
Tennis courts	115	116	124	124	124	124	122	127	92	100
Swimming pools	52	52	51	51	51	51	51	51	48	35
Business-type activities										
Electric										
Overhead distribution (miles)	5,403	5,361	5,263	5,104	5,017	4,961	4,916	4,892	4,992	5,012
Underground distribution (miles)	5,995	6,068	6,167	6,338	6,500	6,630	6,735	6,774	6,900	7,023
Water										
Treatment plants	2	2	2	3	3	3	3	3	3	3
Water mains (miles)	3,682	3,711	3,713	3,807	3,845	3,884	3,929	3,942	3,959	4,035
Booster pumps	41	41	39	40	44	44	47	47	47	47
Fire hydrants	33,839	34,041	36,217	37,518	38,265	39,445	40,154	40,792	41,389	43,271
Wastewater										
Sanitary sewers (miles)	2,664	2,692	2,692	2,776	2,806	2,848	2,890	2,915	2,944	2,970
Connections	202,444	202,690	204,378	212,760	214,373	215,879	221,866	225,760	230,127	233,637

(Continued)

Source: Various City departments; budget documents and performance reports

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years, continued**

**City of Austin, Texas
Table 22**

Function/Program	Fiscal Year Ended September 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities, continued										
Airport										
Buildings maintained (sq. ft.)	2,306,130	2,306,130	2,306,130	2,361,831	2,361,831	2,361,831	2,361,831	2,712,429	2,794,229	2,925,509
Facility (terminal) maintained (sq. ft.)	687,940	687,940	687,940	743,641	743,641	743,641	743,641	743,641	916,205	1,092,686
Acres - air side	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Convention										
Convention facilities (sq. ft.)	2,080,222	2,080,222	2,080,222	2,080,222	2,080,222	2,080,222	2,080,222	2,080,222	2,080,222	2,080,222
Environment and health services										
Refuse collection trucks	69	66	64	66	67	67	69	69	68	68
Recycle collection trucks	36	38	41	43	45	46	46	46	46	47
Public recreation										
Golf courses	5	5	6	6	5	6	6	6	6	6
Athletic fields	176	169	172	172	172	172	172	168	174	172
Softball fields	32	34	35	35	35	35	35	35	38	37
Urban growth management										
Residential ponds	840	860	865	873	894	994	1,040	1,045	1,052	1,046
Street (miles)	7,435	7,498	7,618	7,582	7,663	7,825	7,851	7,863	7,917	7,958
Bridges	438	438	447	450	450	436	449	449	454	452
Traffic signals	954	975	1,000	1,016	1,029	1,057	1,080	1,093	1,107	1,132
Metered parking spaces	5,508	6,015	6,072	7,300	7,600	8,217	8,394	8,626	9,250	9,147
Internal Services (1)										
Fleet facilities (sq. ft.)	127,916	127,916	127,916	127,916	127,916	127,916	127,916	127,916	127,916	128,236
City facilities insured	1,052	1,060	1,134	1,134	1,253	1,241	1,283	1,285	1,285	1,295
Facilities maintained (sq. ft.)	1,539,244	1,539,244	1,539,244	1,539,244	1,539,244	1,539,244	1,539,244	1,539,244	1,464,423	1,464,423

Source: Various City departments; budget documents and performance reports

(1) Internal service activities are allocated to other programs and functions on a government-wide basis.



Top left and middle row photographs provided by Waterloo Greenway Conservancy. Top right photograph courtesy of Alliance Children's Garden video footage by City of Austin Parks & Recreation Department. Bottom left photograph by Joe Ybarra | Be Well mural art by Carmen Rangel. Bottom right photograph by Philip Rogers | TEMPO Art: Little Pichu by Suzanne Wyss and Ilya Pieper. Back cover photograph provided by Waterloo Greenway Conservancy.



FINANCIAL SERVICES DEPARTMENT

Financial Services Department – Controller’s Division

P.O. Box 2920, Austin, Texas 78768 | 512-974-2600 | austintexas.gov

The City of Austin is in compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.

APPENDIX C

COPY OF MASTER ORDINANCE

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ORDINANCE NO. 0006008-56A

AN ORDINANCE providing for the issuance WATER AND WASTEWATER SYSTEM revenue obligations; making provision for the payment of such obligations from the revenues of the City's Water and Wastewater System; enacting provisions incident and related to the issuance, payment and security of such Obligations, including covenants and agreements relating to the operation and management of the Water and Wastewater System, the revenues derived from its operation and ownership, the establishment and maintenance of funds and accounts for the payment of such obligations, specifying the terms and conditions for the issuance of parity revenue obligations and other matters incident and related to their issuance and security; suspending the rule requiring ordinances be read on three separate days; and declaring an emergency.

WHEREAS, the City of Austin, Texas (the "City" or the "Issuer"), a "home-rule" city operating under a home-rule charter adopted pursuant to Section 5 of Article XI of the Texas Constitution has heretofore financed improvements and extensions to the City's Water and Wastewater System (the "System") by the issuance and sale of revenue obligations payable from and secured by a joint and several lien on and pledge of the Net Revenues of the City's Water and Wastewater System and the City's Electric Light and Power System; and

WHEREAS, the revenue obligations currently outstanding payable from and secured by a joint and several lien on and pledge of the Net Revenues of the City's Water and Wastewater System and the City's Electric Light and Power System include:

(a) "Prior First Lien Obligations" more particularly identified as follows : (i) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1986", dated March 1, 1986, (ii) "City of Austin, Texas, Combined Utility Systems Revenue Bonds, Series 1986A", dated April 15, 1986, (iii) "City of Austin, Texas, Combined Utility Systems Revenue Bonds, Series 1986C", dated November 15, 1986, (iv) "City of Austin, Texas, Combined Utility Systems Revenue Bonds, Series 1987", dated May 15, 1987, (v) "City of Austin, Texas, Combined Utility Systems Revenue Bonds, Series 1989", dated July 15, 1989, (vi) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1990A", dated February 1, 1990, (vii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1990B", dated February 1, 1990, (viii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1991-A", dated June 1, 1991, (ix) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1992", dated March 1, 1992, (x) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1992A", dated May 15, 1992, (xi) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1993", dated January 15, 1993, (xii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1993A", dated June 1, 1993, (xiii) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1994", dated September 1, 1994, (xiv) "City of Austin, Texas, Combined Utility

Systems Revenue Refunding Bonds, Series 1995", dated June 1, 1995, (xv) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1996A", dated August 1, 1996, (xvi) "City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1996B", dated August 1, 1996, (xvii)"City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1997", dated August 1, 1997, (xviii)"City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1998", dated July 1, 1996, (xix)"City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1998A", dated August 1, 1997,

(b) "Prior Subordinate Lien Obligations" more particularly described as follows: (i) "City of Austin, Texas, Water, Sewer and Electric Refunding Revenue Bonds, Series 1982", dated March 15, 1982, (ii) "City of Austin, Texas, Subordinate Lien Revenue Bonds, Series 1990", dated June 1, 1990, (iii) "City of Austin, Texas, Subordinate Lien Revenue Bonds, Series 1994", dated March 1, 1994, (iv) "City of Austin, Texas, Combined Utility System Subordinate Lien Revenue Bonds, Series 1998", dated August 1, 1998, (v)"City of Austin, Texas, Subordinate Lien Revenue Refunding Bonds, Series 1998", dated October 1, 1998 and (vi) "City of Austin, Texas, Subordinate Lien Revenue Refunding Bonds, Series 1998A", dated October 1, 1998, and

(c) "Commercial Paper Obligations" more particularly described as follows: (i) City of Austin, Texas Combined Utility Systems Commercial Paper Notes, Series A", authorized for issuance pursuant to Ordinance No. 930318-A, as amended by Ordinance No. 961121-A and Ordinance No. 980513-A currently authorized up to an aggregate principal amount of \$350,000,000 and (ii) "City of Austin, Texas Combined Utility Systems Taxable Commercial Paper Notes", authorized for issuance pursuant to Ordinance No. 980513-B currently authorized up to an aggregate principal amount of \$60,000,000, and in such aggregate principal amounts as hereinafter provided by amendments to either Ordinance No. 930318-A, as amended, or Ordinance No. 980513-B; and

AND WHEREAS, in the ordinances authorizing the issuance of the Prior First Lien Obligations, Prior Subordinate Lien Obligations and Commercial Paper Obligations, the City retained the authority to issue "Separate Lien Obligations" payable solely from either the Net Revenues of the Water and Wastewater System or the Net Revenues of the Electric Light and Power System , but not both, without specifying any terms or limitations on the issuance of such "Separate Lien Obligations"; and

WHEREAS, the City has determined future financing of capital improvements for the City's Water and Wastewater System and the City's Electric Light and Power System should be undertaken and accomplished through the issuance of "Separate Lien Obligations" which will enable the City to restructure provisions governing the issuance of such obligations and relating to the operations of such systems and provide financing flexibility to both systems, particularly the Electric Light and Power System in a more competitive market resulting from a change in laws affecting the regulation, generation, distribution and sale of electric energy, and

WHEREAS, in furtherance of its determination that future financing of capital improvements to the City's Water and Wastewater System shall be undertaken through the issuance of revenue obligations payable solely from and secured by a lien on and pledge of the Net Revenues of the City's Water and Wastewater System, the Council hereby finds a master ordinance governing and pertaining to their issuance should be adopted and enacted; and

WHEREAS, the terms used in this Ordinance and not otherwise defined shall have the meaning given Exhibit A to this Ordinance attached hereto and made a part hereof;

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN, TEXAS:

Section 1. REVENUE OBLIGATION FINANCING FOR THE CITY'S WATER AND WASTEWATER SYSTEM. From and after the date hereof, all revenue obligations, other than Commercial Paper Obligations, to finance capital improvements for the Water/Wastewater System shall be payable from and secured only by a lien on and pledge of the Net Revenues of the Water/Wastewater System and from the funds and accounts hereinafter provided in this Ordinance and in any Supplement. This Ordinance is intended to provide for and govern the issuance of such Parity Water/Wastewater Obligations and establish the security for their payment, the agreements and covenants with the holders or owners of such obligations in regard to the management and operation of the Water/Wastewater System, the application and disbursement of revenues derived from its operation and ownership and other matters incident and related to the issuance of such revenue obligations. Each issue or series of Parity Water/Wastewater Obligations shall be issued, incurred or assumed pursuant to the terms of a Supplement, and each such Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, terms of payment and redemption, and any other related matters not inconsistent with the Constitution and laws of the State of Texas or the provisions of this Ordinance.

Section 2. PLEDGE OF REVENUES/SECURITY FOR PAYMENT. Subject to the prior claim on and lien on the Net Revenues of the Water/Wastewater System to the payment and security of the Prior First Lien Obligations currently Outstanding, including the funding and maintenance of the special funds established and maintained for the payment and security of such Prior First Lien Obligations, the Net Revenues of the Water/Wastewater System are hereby pledged to the payment of the Parity Water/Wastewater Obligations and such Parity Water/Wastewater Obligations, together with the Prior Subordinate Lien Obligations and Previously Issued Separate Lien Obligations currently Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System in accordance with the terms of this Ordinance and any Supplement. Additionally, Parity Water/Wastewater Obligations shall be secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund, Reserve Fund and funds on deposit in any construction fund maintained and established with the proceeds of sale of Parity Water/Wastewater Obligations pending expenditure in accordance with the terms of this Ordinance and any Supplement. Parity Water/Wastewater Obligations are and will be secured by and payable only from the Net Revenues of the Water/Wastewater System, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, of the Water/Wastewater System. The owners of the Parity Water/Wastewater Obligations shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in this Ordinance or any Supplement.

Section 3. NO ADDITIONAL PRIOR FIRST LIEN /PRIOR SUBORDINATE LIEN COMBINED UTILITY SYSTEMS REVENUE OBLIGATIONS. From and after the date of the adoption of this Ordinance, the City hereby provides that no additional revenue obligations shall be issued on a parity with the Prior First Lien Obligations or the Prior Subordinate Lien Obligations and at such time as the Prior First Lien Obligations, Prior Subordinate Lien Obligations currently Outstanding and the Commercial Paper Obligations have been fully paid and discharged in a manner such obligations are no longer deemed to be Outstanding under the terms of their respective ordinances and by law, all revenue obligations of the Water/Wastewater System then Outstanding shall be Parity Water/Wastewater Obligations, Previously Issued Separate Lien Obligations, or obligations subordinate to the Parity Water/Wastewater Obligations then Outstanding, and payable only from and secured only by a lien on and pledge of the Net Revenues of the Water/Wastewater System and the revenues deposited to the credit of the accounts and funds established and maintained in the ordinances providing for their issuance, including this Ordinance with respect to Parity Water/Wastewater Obligations and any Supplement.

Section 4. RATE COVENANT. The City will fix, establish, maintain and collect such rates, charges and fees for water and wastewater services furnished by the Water/Wastewater System and to the extent legally permissible, revise such rates, charges and fees to produce Gross Revenues each Fiscal Year sufficient:

(i) to pay all current Operating Expenses,

(ii) to produce Net Revenues, after deducting amounts expended during the Fiscal Year from the Water/Wastewater System's Net Revenues for the payment of debt service requirements of the Prior First Lien Obligations and Prior Subordinate Lien Obligations, equal to the greater of either (x) an amount to pay the actual annual debt service due and payable in such Fiscal Year of the then Outstanding Parity Water/Wastewater Obligations and Previously Issued Separate Lien Obligations or (y) an amount, when added to Other Available Water/Wastewater System Revenues, that would pay 125% of Annual Debt Service Requirements due and payable in such Fiscal Year of the then Outstanding Parity Water/Wastewater Obligations and Previously Issued Separate Lien Obligations, and

(iii) to pay after deducting the amounts determined in (i) and (ii) above, all other financial obligations of the Water/Wastewater System reasonably anticipated to be paid from Gross Revenues.

If the Net Revenues in any Fiscal Year are less than the aggregate amount specified above the City shall promptly upon receipt of the annual audit for such Fiscal Year cause such rates and charges to be revised and adjusted to comply with this Section or obtain a written report from an Utility System Consultant after a review and study of the operations of the Water/Wastewater System has been made concluding that, in their opinion, the rates and charges then in effect for the current Fiscal Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with this Section and such adjustments and revisions to water and wastewater rates and charges are promptly implemented and enacted in accordance with such Utility System Consultant's report. Notwithstanding anything herein to the contrary, the City shall be deemed to be in compliance herewith if either of the actions mentioned in the preceding

sentence are undertaken and completed prior to the end of the Fiscal Year next following the Fiscal Year the deficiency in Net Revenues occurred.

Section 5. GENERAL COVENANTS. Subject to the provisions contained in the ordinances authorizing the issuance of the Prior First Lien Obligations, Prior Subordinate Lien Obligations and Commercial Paper Obligations which may be in conflict herewith and control to the extent of any conflict, the City hereby covenants and agrees with the Holders of the Parity Water/Wastewater Obligations to the extent permitted by law as follows:

(a) **PERFORMANCE.** All covenants, undertakings, stipulations, and provisions contained in this Ordinance and any Supplement shall be duly performed and honored at all times; the principal amount of and interest on Parity Water/Wastewater Obligations shall be timely paid as the same shall become due and payable on the dates, at the places and in the manner prescribed in each Supplement and such Parity Water/Wastewater Obligations; and all deposits to the credit of the Funds and Accounts shall be made at the times, in the amounts and in the manner specified by this Ordinance and in any Supplement; and any Holder may require the City, its officials and employees to perform, honor or enforce the covenants and obligations of this Ordinance, or any Supplement, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the City, its officials and employees.

(b) **CITY'S LEGAL AUTHORITY.** The City is a duly created and existing home rule municipality of the State of Texas, and is duly authorized under the laws of the State of Texas to issue the Parity Water/Wastewater Obligations; with the adoption of each Supplement, all action on the City's part for the issuance of the Parity Water/Wastewater Obligations shall have been duly and effectively taken; and the Parity Water/Wastewater Obligations upon issuance and delivery to the Holders shall and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) **OPERATION AND MAINTENANCE.** The Water/Wastewater System shall be operated in an efficient manner consistent with Prudent Utility Practice, and the plants, facilities and properties of the Water/Wastewater System shall be maintained, preserved and kept in good repair, working order and condition, and proper maintenance, repairs and replacements of such property, facilities and plants shall occur to preserve and keep the Water/Wastewater System operating in a business like manner.

(d) **TITLE.** The City has or will have lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures and facilities constituting the Water/Wastewater System; the City warrants it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof against the claims and demands of all persons whomsoever; and the City is lawfully qualified to pledge the Net Revenues to the payment of the Parity Water/Wastewater Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(e) **LIENS.** All taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon the Water/Wastewater System, its properties or revenues, shall be paid before the same become delinquent; all lawful claims for rents, royalties, labor, materials and

supplies shall be paid in a timely manner, which if unpaid might by law become a lien or charge on the revenues of the Water/Wastewater System or the Water/Wastewater System's properties prior to or interfere with the liens hereof, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the lien on and pledge of the Net Revenues of the Water/Wastewater System for the Parity Water/Wastewater Obligations granted by this Ordinance or any Supplement might or could be impaired; provided however, that no such tax, assessment or charge, and no such claims that might result in a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the City.

(f) **NO FREE SERVICE.** Save and except as provided by V.T.C.A., Government Code, Section 1502.057, as amended, no free service of the Water/Wastewater System shall be allowed.

(g) **FURTHER ENCUMBRANCE.** Save and except for the issuance of Parity Water/Wastewater Obligations, the Net Revenues of the Water/Wastewater System shall not hereafter be encumbered in any manner unless such encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Ordinance and any Supplement; but the right to issue Subordinated Debt payable in whole or in part from a subordinate lien on the Net Revenues is specifically recognized and retained.

(h) **SALE, LEASE OR DISPOSAL OF SYSTEM PROPERTY.** To the extent and in the manner provided by law, the City can sell, exchange or otherwise dispose of property and facilities constituting part of the Water/Wastewater System at any time and from time to time, provided such sale or exchange of property or facilities does not impede the operations of the Water/Wastewater System. Furthermore, the City to the extent and in the manner provided by law may lease, contract, or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights to the properties and facilities of the Water/Wastewater System, provided such lease, contract, license, arrangement, easement or right does not impede or disrupt the operations of the Water/Wastewater System. The proceeds of any such sale, exchange or disposal of property or facilities shall be deposited to the credit of a special Fund or Account, and funds deposited to the credit of such Fund or Account shall be used to acquire other property necessary or desirable for the safe or efficient operation of the Water/Wastewater System, to redeem or purchase Prior First Lien Obligations, Prior Subordinate Lien Obligations, Parity Water/Wastewater Obligations, Previously Issued Separate Lien Obligations or for any other Water/Wastewater System purpose..

(i) **BOOKS, RECORDS AND ACCOUNTS.** Proper books, records and accounts pertaining to the operation and ownership of the Water/Wastewater System shall be established and maintained in accordance with generally accepted accounting principles, and such books, records and accounts shall be kept and maintained separate and apart from all other records and accounts of the City. Accurate and complete entries of all transactions relating to the Water/Wastewater System shall be recorded in such books, records and accounts, and such books and records relating to the financial operations of the Water/Wastewater System shall be kept current on a month to month basis.

(j) **INSURANCE.** Except as otherwise permitted below, insurance shall be obtained and maintained on the properties of the Water/Wastewater System in a manner and to the extent municipal corporations operating like properties carry and maintain such insurance, and such insurance shall be maintained with one or more responsible insurance companies and cover such risks, accidents or casualties customarily carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage caused by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Holders and their representatives at all reasonable times during regular business hours. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds available for such purpose as the City in its sole desecration shall determine, shall be used to repair the property damaged or replace the property destroyed; provided, however, if the insurance proceeds and other funds that might be lawfully appropriated therefore are insufficient to repair or replace the damaged property, then such insurance proceeds received for the damaged or destroyed property shall be deposited to the credit of a special insurance Account or Fund until other funds become available which, together with funds on deposit to the credit of such special insurance account, will be sufficient to make the repairs or replacements to the property damaged or destroyed that resulted in such insurance proceeds or make other improvements to the Water/Wastewater System.

In lieu of obtaining policies for insurance as provided above, the City may self-insure against risks, accidents, claims or casualties described above, or such risks, accidents, claims or casualties may be covered under one or more blanket insurance policies maintained by the City. The annual audit hereinafter required shall contain a section commenting on whether the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing the areas of insurance for which the City is self-insuring, all policies carried, and whether all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(k) **AUDITS.** After the close of each Fiscal Year while any of the Parity Water/Wastewater Obligations are Outstanding, an annual audit of the books, records and accounts relating to the operations of the Water/Wastewater System shall be made by an Accountant as part of the City's overall annual comprehensive audit. After such annual audit has been completed and approved by the City, a copy thereof shall be sent to the Municipal Advisory Council of Texas and to any owner of \$100,000 or more in Outstanding Principal Amount of Parity Water/Wastewater Obligations who shall request a copy of such annual audit in writing. A copy of such annual audit shall be available for the inspection at the administrative offices of the Water/Wastewater System by the owners of the Parity Water/Wastewater Obligations and their agents and representatives at all reasonable times during regular business hours.

(l) **GOVERNMENTAL AGENCIES.** Any and all franchises, licences, permits and authorizations received or obtained from any governmental agency or department and applicable to or necessary with respect to the operations of the Water/Wastewater System shall be kept current and in effect, and no franchise, permit, license or authorization required or necessary for the acquisition, construction, equipment, operation and maintenance of the Water/Wastewater System shall be allowed to expire or terminate by a failure of the City to act or shall the City fail to comply with any terms or conditions that results in a forfeiture or early termination of any such franchise, permit, license, or authorization.

(m) **NO COMPETITION.** To the extent it legally possible, the City will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a material substitute for the Water/Wastewater System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

(n) **RIGHTS OF INSPECTION.** Subject to public safety and other restrictions as may be reasonably imposed, the owner of Parity Water/Wastewater Obligations shall have the right at all reasonable times during regular business hours to inspect properties of the Water/Wastewater System and all records, accounts and data relating thereto, and copies of such records, accounts and data will be furnished to such owner from time to time, upon the written request and at the payment of the cost of making such copies by the owner making such request.

Section 6. SYSTEM FUND. In accordance with the provisions of the ordinances authorizing the issuance of the Prior First Lien Obligations, Prior Subordinate Lien Obligations and the Commercial Paper Obligations, the City has created and there shall be maintained on the books of the City while the Parity Water/Wastewater Obligations are Outstanding a separate fund or account known and designated as the "Water and Sewer System Fund" (herein called the "Water and Wastewater System Fund" or "System Fund"). All funds deposited to the credit of the System Fund and disbursements from such Fund shall be recorded in the books and records of the City and moneys deposited to the credit of such Fund shall be in an account or fund maintained at an official depository of the City. The Gross Revenues of Water/Wastewater System shall be deposited, as collected, to the credit of the System Fund and such Gross Revenues deposited to the credit of the System Fund shall be allocated, budgeted and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of Operating Expenses, as defined herein or required by statute to be a first charge on and claim against the Gross Revenues.

SECOND: To the payment of the amounts required to be deposited in any special funds or accounts created for the payment and security of the Prior First Lien Obligations, including the amounts required to be deposited to the credit of the common reserve fund established for the Prior First Lien Obligations and Prior Subordinate Lien Obligations.

THIRD: Equally and ratably to the payment of the amounts required to be deposited to the credit of (i) the special fund created and established for the payment of principal of and interest on the Prior Subordinate Lien Obligations as the

same becomes due and payable (ii) the funds maintained for the payment of Previously Issued Separate Lien Obligations currently Outstanding and (iii) the special Funds and Accounts for the payment of the Parity Water/Wastewater Obligations.

FOURTH: To pay Subordinated Debt, including amounts for the payment of the Commercial Paper Obligations, and the amounts, if any, due and payable under any credit agreement executed in connection therewith.

FIFTH: To the payment of the amount, if any, approved and authorized by action of the governing body of the City, to be deposited to the credit of the Water/Wastewater System's Surplus Revenue Account

Any Net Revenues remaining in the Water and Sewer Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Section 7. DEBT SERVICE FUND. For the sole purpose of paying the principal amount of, premium, if any, and interest on, and other payments (other than Operating Expenses) incurred in connection with Parity Water/Wastewater Obligations, there is hereby created and there shall be established and maintained on the books of the City a separate fund designated as the "Water/Wastewater Revenue Obligation Debt Service Fund" (the "Debt Service Fund") and moneys to the credit of such Debt Service Fund shall be placed in a special fund or account maintained at an official depository of funds of the City.

The amount of the deposits to be made to the credit of the Debt Service Fund to pay the principal of and interest on the Parity Water/Wastewater Obligations as the same shall become due and payable and the manner for making such deposits shall be addressed and contained in each Supplement. In addition, the City reserves the right in any Supplement to establish within the Debt Service Fund various Accounts to facilitate the timely payment of Parity Water/Wastewater Obligations as the same become due and owing.

Section 8. RESERVE FUND. (a) Establishment. There is hereby created and there shall be established and maintained on the books of the City a separate fund or account designated as the "Water/Wastewater System Revenue Obligation Reserve Fund" (the "Reserve Fund"). Except as provided in subsection (f) below, the Reserve Fund shall be maintained for the benefit of the owners of the Parity Water/Wastewater Obligations. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the City. The amounts deposited to the credit of the Reserve Fund shall be deposited in a special fund maintained at an official depository of City. Reserve Fund Obligations in the Reserve Fund shall be used for the purpose of retiring the last of the Parity Water/Wastewater Obligations as they become due or paying principal of and interest on the Parity Water/Wastewater Obligations when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose. The amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve Amount. The City may, at its option, withdraw and transfer to the Debt Service Fund all surplus in the Reserve Fund over the Required Reserve Amount.

(b) Credit Facility. The City may replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, the cash or Eligible Investments on deposit in the Reserve Fund, taken together with the face amount of any existing Credit Facilities, in excess of the Required Reserve Amount may be withdrawn by the City, at its option, and transferred to the System Fund unless such excess was funded with the proceeds of sale of Parity Water/Wastewater Obligations in which case such excess shall be deposited to the credit of the Debt Service Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer.

(c) Priority of Draws. If the City is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the City shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys and cash resulting from the sale or liquidation of Eligible Investments then on deposit in the Reserve Fund, and NEXT from a drawing under any Credit Facility to the extent of such deficiency.

In the event of a draw on a Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Net Revenues, however, such reimbursement from Net Revenues shall be subject to the provisions of Section 8(d) below and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Water/Wastewater Obligations.

(d) Reserve Amount Deficiency. In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Reserve Amount, then the City shall, subject to satisfying or making provision for the uses having a priority on the Gross Revenues before any deposits for the payment and security of the Parity Water/Wastewater Obligations and after making required deposits to the Debt Service Fund in accordance with the terms of this Ordinance and any Supplement, cause the aggregate Required Reserve Amount then required to be on deposit in the Reserve Fund to be fully restored within 12 months from the date such deficiency, termination or expiration occurred by (i) making substantially equal cash deposits to the Reserve Fund on or before the last day of each month from the available Net Revenues, (ii) depositing Eligible Investments or Credit Facility to the credit of the Reserve Fund or (iii) a combination of (i) and (ii).

(e) Excess Required Reserve. As Parity Water/Wastewater Obligation secured by the Reserve Fund are paid, redeemed or defeased and cease to be Outstanding under the terms of the Ordinance or a Supplement, the Required Reserve Amount may be recalculated and redetermined, and any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the City, to (i) the System Fund, if an amount equal to such excess was funded with Net Revenues, or (ii) the Debt Service Fund.

(f) Application to Commercial Paper/Credit Agreements For the purpose of this Section, the Reserve Fund shall not secure Parity Water/Wastewater Obligations issued in the form of

commercial paper, or any Credit Agreement issued in support of such Parity Water/Wastewater Obligations issued in the form of commercial paper, except as otherwise may be provided in any Supplement.

Section 9. SYSTEM SURPLUS REVENUE ACCOUNT. At the end of each Fiscal Year and after satisfying all payments and transfers having a priority on the revenues deposited to the credit of the System Fund, an amount approved and authorized by action of the governing body of the City may be transferred from the System Fund and deposited to the credit of a "Water/Wastewater System Surplus Revenue Account" to be established and maintained on the books and records of the City. The amounts deposited to the credit of the Water/Wastewater System Surplus Revenue Account may be used to make capital improvements to the Water/Wastewater System, to pay Operating Expenses or for any other lawful purpose. Prior to the beginning of each Fiscal Year, an amount deposited to the credit of the Water/Wastewater System Surplus Revenue Account may by action of the governing body of the City in the approval of the annual budget, or by a separate action, be designated as "Other Available Water/Wastewater Funds". The amount so designated as "Other Available Water/Wastewater Fund" shall be transferred on the books of the City to the credit of the System Fund as of the beginning of such Fiscal Year.

Section 10. ISSUANCE OF ADDITIONAL OBLIGATIONS. (a) Parity Water/Wastewater Obligations. The City reserves and shall have the right and power to issue or incur Parity Water/Wastewater Obligations for any purpose authorized by law pursuant to the provisions of this Ordinance and a Supplement hereafter adopted. The City may issue, incur, or otherwise become liable in respect of any Parity Water/Wastewater Obligations if:

(i) a Designated Financial Officer shall execute a certificate stating that, to his or her knowledge, the City is in compliance with all covenants contained in this Ordinance and any Supplement, is not in default in the performance and observance of any of the terms, provisions and conditions hereof and thereof, and the Funds and Accounts securing the Parity Water/Wastewater Obligations then Outstanding as established in accordance with the terms of this Ordinance and any Supplement contain the amounts then required to be therein or the proceeds of sale of the Parity Water/Wastewater Obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of such Funds and Accounts, if any; and

(ii) an Accountant shall certify or render an opinion to the effect that, for the last completed Fiscal Year preceding the date of the then proposed Parity Water/Wastewater Obligations, or for any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Water/Wastewater Obligations, the Net Revenues of the Water/Wastewater System, after deducting amounts expended from the Water/Wastewater System's Net Revenues during the last completed Fiscal Year for the payment of debt service requirements of the Prior First Lien Obligations and Prior Subordinate Lien Obligations, together with Other Available Water/Wastewater Revenues, are equal to 1.25 times the average Annual Debt Service Requirements of the Parity

Water/Wastewater Obligations to be Outstanding after giving effect to the issuance of the then proposed Parity Water/Wastewater Obligations.

For purposes of paragraph (a) (ii), if Parity Water/Wastewater Obligations are issued to refund less than all of the Parity Water/Wastewater Obligations then Outstanding, the certificate, report or opinion of the Accountant required above shall give effect to the issuance of the proposed refunding Parity Water/Wastewater Obligations (and shall not give effect to the Parity Water/Wastewater Obligations being refunded following their cancellation or provision being made for their payment).

(b) Short-Term Parity Water/Wastewater Obligations. The City may issue or incur Parity Water/Wastewater Obligations issued in the form of commercial paper and for purposes of this subsection, the term "Outstanding Funded Debt" shall include Subordinated Debt that matures by its terms, or that is renewable at the option of the City to a date, more than one year after the date of its issuance by the City. The terms and conditions pertaining to the issuance of Parity Water/Wastewater Obligations in the form of commercial paper, including, without limitation, the security, liquidity and reserves necessary to support such commercial paper obligations, shall be contained in a Supplement relating to their issuance.

(c) Special Facilities Debt and Subordinated Debt. Special Facilities Debt and Subordinated Debt may be incurred by the City without limitation.

(d) Credit Agreements. Payments to be made under a Credit Agreement may be treated as Parity Water/Wastewater Obligations if the governing body of the City makes a finding in the Supplement authorizing and approving the Credit Agreement that Gross Revenues will be sufficient to meet the obligations of the Water/Wastewater System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of Parity Water/Wastewater Obligations then Outstanding and the financial obligations of the City under the Credit Agreement, and such finding is supported by a certificate executed by a Designated Financial Officer of the City.

(e) Determination of Net Revenues. In making a determination of Net Revenues for any of the purposes described in this Section, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the Water/Wastewater System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues coverage test described above, make a pro forma determination of the Net Revenues of the Water/Wastewater System for the period of time covered by the Accountant's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

Section 11. FINAL DEPOSITS; GOVERNMENT OBLIGATIONS. (a) Any Parity Water/Wastewater Obligation shall be deemed to be paid, retired and cease to be Outstanding within the meaning of this Ordinance, and the Supplement pursuant to which it was issued, when payment of the principal amount of, redemption premium, if any, on such Parity Water/Wastewater Obligation, plus interest thereon to the due date thereof (whether such due date be by reason of

maturity, upon redemption, or otherwise) either shall have been (i) made in accordance with the terms thereof or (ii) provided by irrevocably depositing with, or making available to, a Paying Agent (or escrow agent) therefor, in trust and set aside exclusively for such payment, in accordance with the terms and conditions of an agreement between the City and said Paying Agent (or escrow agent), (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of such Paying Agent pertaining to the Parity Water/Wastewater Obligation with respect to which such deposit is made shall have been paid or the payment thereof duly provided (and irrevocable instructions shall have been given by the City to such Paying Agent to give notice of such redemption in the manner required by the Supplement authorizing the issuance of such Parity Water/Wastewater Obligation) to the satisfaction of such Paying Agent. Such Paying Agent shall give notice to each owner of any Parity Water/Wastewater Obligation that such deposit as described above has been made, in the same manner as required with respect to the redemption of such Parity Water/Wastewater Obligation, all in accordance with the terms of the Supplement pursuant to which such Parity Water/Wastewater Obligation was issued. In addition, in connection with a defeasance, such Paying Agent shall give notice of redemption, if necessary, to the owners of any Parity Water/Wastewater Obligation in the manner provided in the Supplement for such Parity Water/Wastewater Obligation and as directed in the redemption instructions delivered by the City to such Paying Agent. At such time as a Parity Water/Wastewater Obligation shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of this Ordinance or the Supplement pursuant to which it was issued or a lien on and pledge of the Net Revenues, and shall be entitled to payment solely from such money or Government Obligations.

(b) Any moneys deposited with a Paying Agent (or escrow agent) may, at the direction of the City, also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Paying Agent pursuant to this Section which is not required for the payment of the principal of the Parity Water/Wastewater Obligations, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City for deposit to the credit of the Debt Service Fund.

(c) Except as provided in clause (b) of this Section, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Parity Water/Wastewater Obligations, the redemption premium, if any, and interest thereon, shall be applied solely to and used solely for the payment of such Parity Water/Wastewater Obligations, the redemption premium, if any, and interest thereon.

Section 12. AMENDMENT OF ORDINANCE. (a) Required Owner Consent for Amendments. The owners of a majority in Outstanding Principal Amount of the Parity Water/Wastewater Obligations shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that nothing contained herein shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Parity Water/Wastewater Obligations so as to:

- (1) Make any change in the maturity of any of the Outstanding Parity Water/Wastewater Obligations;
- (2) Reduce the rate of interest borne by any of the Outstanding Parity Water/Wastewater Obligations;
- (3) Reduce the amount of the principal payable on the Outstanding Parity Water/Wastewater Obligations;
- (4) Modify the terms of payment of principal of, premium, if any, or interest on the Outstanding Parity Water/Wastewater Obligations or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all of the Parity Water/Wastewater Obligations then Outstanding;
- (6) Amend this subsection (a) of this Section; or
- (7) Change the minimum percentage of the principal amount of Parity Water/Wastewater Obligations necessary for consent to any amendment;

unless such amendment or amendments be approved by the owners of all of the Parity Water/Wastewater Obligations affected by the change or amendment then Outstanding.

(b) Notice of Amendment Requiring Consent. If at any time the City shall desire to amend the Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, and a newspaper of general circulation in the City, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file with each Paying Agent or Registrar, as the case may be, for the Parity Water/Wastewater Obligations for inspection by all Holders of Parity Water/Wastewater Obligations. Such publication is not required, however, if notice in writing is given by mail, first class postage prepaid, to each Holder of Parity Water/Wastewater Obligations.

(c) Time Period for Obtaining Consent If within one year from (i) the date of the first publication of said notice or (ii) the date of the mailing by the Paying Agent of written notice to the owners of the Parity Water/Wastewater Obligations, whichever date first occurs if both methods of giving notice are used, the City shall receive an instrument or instruments executed by the owners of at least a majority in Outstanding Principal Amount of the Parity Water/Wastewater Obligations consenting to and approving such amendment in substantially the form of the copy thereof on file with each Paying Agent or Registrar, as the case may be, for the Parity Water/Wastewater Obligations, the governing body of the City may pass the amendatory ordinance in substantially the same form.

(d) Revocation of Consent. Any consent given by the owner of a Parity Water/Wastewater Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months

from the date for measuring the one year period to obtain consents noted in paragraph (c) above, and shall be conclusive and binding upon all future owners of the same Parity Water/Wastewater Obligation during such period. At any time after six months from the date for measuring the one year period to obtain consents noted in paragraph (c) above, such consent may be revoked by the owner who gave such consent, or by a successor in title, by filing written notice thereof with the Paying Agent or Registrar, as the case may be, for such Parity Water/Wastewater Obligation and the City, but such revocation shall not be effective if the owners of at least a majority in Outstanding Principal Amount of the then Outstanding Parity Water/Wastewater Obligations as determined in accordance with this Section have, prior to the attempted revocation, consented to and approved the amendment.

(e) Implementation of Amendment. Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations of the City under this Ordinance and all the owners of then Outstanding Parity Water/Wastewater Obligations and all future Parity Water/Wastewater Obligations shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(f) Amendment without Consent. The foregoing provisions of this Section notwithstanding, the City by action of its governing body may amend this Ordinance for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to the owners of the Parity Water/Wastewater Obligations or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City;

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the owners of the Parity Water/Wastewater Obligations then outstanding;

(3) To modify any of the provisions of this Ordinance in any other respect whatever, provided that such modification shall be, and be expressed to be, effective only after all Parity Water/Wastewater Obligations outstanding at the date of the adoption of such modification shall cease to be outstanding;

(4) To make such amendments to this Ordinance as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

(5) To make such changes, modifications or amendments as may be necessary or desirable in order to allow the owners of the Parity Water/Wastewater Obligations to thereafter avail themselves of a book-entry system for payments, transfers and other matters relating to the Parity Water/Wastewater Obligations, which changes, modifications or amendments are not contrary to or inconsistent with other provisions of this Ordinance and which shall not adversely affect the interests of the owners of the Parity Water/Wastewater Obligations;

(6) To make such changes, modifications or amendments as may be necessary or desirable in order to obtain or maintain the granting of a rating on the Parity Water/Wastewater Obligations by a Rating Agency or to obtain or maintain a Credit Agreement or a Credit Facility; and

(7) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Parity Water/Wastewater Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Parity Water/Wastewater Obligations. Notice of any such amendment may be published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Parity Water/Wastewater Obligations may be determined as provided in each Supplement and unless otherwise provided in a Supplement, the owners of the Parity Water/Wastewater Obligations insured as to the payment of principal of and interest thereon shall be deemed to be the insurance company providing the insurance coverage on such Parity Water/Wastewater Obligations; provided such amendment to this Ordinance is an amendment that can be made with the consent of a majority in Outstanding Principal Amount of the Parity Water/Wastewater Obligations and such insurance company is not in default with respect to its obligations under its insurance policy.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the City to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Parity Water/Wastewater Obligations then Outstanding under such Supplement a priority over the owners of any other Parity Water/Wastewater Obligations then Outstanding.

Section 13. DEFICIENCIES; EXCESS NET REVENUES. (a) Revenue Deficiency. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Funds and Accounts established in accordance with this Ordinance and any Supplement, then such deficiency shall be made up as soon as possible from the next available Net Revenues, or from any other source available for such purpose.

(b) Excess Revenue. Subject to making the required deposits to the credit of the Funds and Accounts established in accordance with this Ordinance and any Supplement, when and as required by this Ordinance and any Supplement, the excess Net Revenues may be used by the City for any lawful purpose.

Section 14. FUNDS SECURED. Moneys in all Funds and Accounts created in accordance with this Ordinance and any Supplement shall be secured in the manner prescribed by law for securing funds of the City.

Section 15. INVESTMENTS. Moneys in any Fund or Account established pursuant to this Ordinance and any Supplement may, at the option of the City, be placed or invested in Eligible Investments. The value of any such Fund or Account shall be established by adding any money therein to the Value of Investment Securities. The value of each such Fund or Account shall be established no less frequently than annually during the last month of each Fiscal Year. Earnings derived from the investment of moneys on deposit in the various Funds and Accounts shall be credited to the Fund or Account from which moneys used to acquire such investment shall have come.

Section 16. BENEFITS OF ORDINANCE. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

Section 17. GOVERNING LAW. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 18. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.


Section 19. CONSTRUCTION OF TERMS. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

Section 20. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.


Section 21. PUBLIC MEETING. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given; all as required by V.T.C.A., Government Code, Chapter 551, as amended.

Section 22. EMERGENCY. The public importance of this measure and the fact that there is an urgent public need for the City to obtain the funds from the sale of the Bonds as soon as possible and without delay for the immediate preservation of the public peace, health and safety of the citizens of the City constitute and create an emergency requiring the suspension of the rule providing for ordinances to be read on three separate days; and such rule relating to the passage of ordinances and the Charter provision relating to the effective date of ordinances are hereby suspended and this ordinance is hereby passed as an emergency measure and shall be effective immediately upon its passage and adoption as provided by the Charter of the City.

PASSED AND ADOPTED, this June 8, 2000.

CITY OF AUSTIN, TEXAS

KIRK WATSON
Mayor

ATTEST:


SHIRLEY A. BROWN
City Clerk

APPROVED:


ANDREW MARTIN
City Attorney

(City Seal)

EXHIBIT "A"

DEFINITIONS

As used in the Ordinance, the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Account" means any account created, established and maintained on the books and records of the City under the terms of any Supplement.

"Accountant" means a nationally recognized independent certified public accountant, or an independent firm of certified public accountants.

"Annual Debt Service Requirements" means, for any Fiscal Year, the principal of and interest on all Parity Water/Wastewater Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Debt, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(i) Committed Take Out. If the City has entered into a Credit Agreement with a Credit Provider to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the City's obligation to repay the amounts advanced under the Credit Agreement for the discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased by the Credit Provider shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(ii) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable by reason of any required purchase of such Funded Debt by the City) in any Fiscal Year is either (a) equal to 25%, or more, of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or (b) exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Exhibit A as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue

on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(iii) Consent Sinking Fund. In the case of Balloon Debt, if a Designated Financial Officer executes a certificate to the effect that such Balloon Debt (a) may be treated as being retired in installments (and the instrument creating such Balloon Debt expressly permits such Debt to be treated as being retired in installments), or (b) paid from the funding and accumulation of a sinking fund (and the instrument creating such Balloon Debt expressly permits the funding and accumulation of a sinking fund) according to a fixed schedule stated in such certificate, then the principal of (and, in the case of retirement, or to the extent provided for the funding and accumulation of a sinking fund, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such fixed schedule, provided this clause (iii) shall apply only to Balloon Debt when installments due and payable prior to such certificate have been duly paid or all deposits to the sinking fund established for such Debt have been duly credited to the sinking fund on or before the times required by such schedule; and provided further this clause (iii) shall not apply when the City has elected to apply the rule set forth in clause (ii) above;

(iv) Prepaid Debt. Principal of and interest on Parity Water/Wastewater Obligations, or portions thereof, payable from capitalized interest, accrued interest and amounts deposited or set aside in trust for the payment thereof with a financial institution shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year;

(v) Variable Rate. As to any Parity Water/Wastewater Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the City, either (a) an interest rate equal to the average rate borne by such Parity Water/Wastewater Obligations (or by comparable debt in the event that such Parity Water/Wastewater Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (b) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of 20 years, or more, published in a financial newspaper or journal with national circulation may be used for this purpose;

(vi) Commercial Paper. Any Parity Water/Wastewater Obligations issued in the form of commercial paper shall use an interest rate for such Parity Water/Wastewater Obligations calculated in the manner provided in clause (v) of this definition and the maturity schedule shall be calculated in the manner provided in clause (ii) of this definition; and

(vii) **Credit Agreement Payments.** If the City has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement, from either the City or the Credit Provider, shall be included in such calculation except to the extent that the payments are already taken into account under (i) through (vi) above and any payments otherwise included above under (i) through (vi) which are to be replaced by payments under a Credit Agreement, from either the City or the Credit Provider, shall be excluded from such calculation. For any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, for prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"Bond Counsel" means Messrs. Fulbright & Jaworski L.L.P. or other firm engaged by the City with legal experience and expertise in the issuance and sale of obligations by municipalities in the State of Texas and with respect to the exclusion of interest on obligations from federal income taxation under Section 103(a) of the Code.

"City" and **"Issuer"** mean the City of Austin, Texas.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto.

"Commercial Paper Obligations" means those obligations identified and described in the preamble of the Ordinance.

"Credit Agreement" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Water/Wastewater Obligations, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the City in connection with the authorization, issuance, security, or payment of Parity Water/Wastewater Obligations and on a parity therewith.

"Credit Facility" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on Parity Water/Wastewater Obligations would rate the Parity Water/Wastewater Obligations fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Water/Wastewater Obligations would assign a rating to the Parity Water/Wastewater Obligations of one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Water/Wastewater Obligations and the interest thereon.

"Credit Provider" means any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

"Debt" of the City payable from Net Revenues means all:

(i) indebtedness incurred or assumed by the City for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Water/Wastewater System that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(ii) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining the "Debt" payable from the Net Revenues of the Water/Wastewater System, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (A) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (B) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the City in prior Fiscal Years.

"Debt Service Fund" means the "Water/Wastewater System Revenue Obligation Debt Service Payment Fund" established pursuant to Section 7 of the Ordinance.

"Designated Financial Officer" shall mean the Director of Finance, Treasurer or such other financial or accounting official of the City so designated by the governing body of the City.

"Eligible Investments" means those investments in which the City is now or hereafter authorized by law, including, but not limited to, the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), as amended, to purchase, sell and invest its funds and funds under its control.

"Fiscal Year" means the twelve month financial accounting period for the Water/Wastewater System which currently ends on September 30 of each calendar year.

"Fund" means any fund created, established and maintained under the terms of the Ordinance and any Supplement.

"Funded Debt" of the Water/Wastewater System means all Parity Water/Wastewater Obligations (and, for purposes of Section 10(b) of the Ordinance, all Subordinated Debt) created or assumed by the City and payable from Net Revenues maturing by their terms (in the absence of the exercise of any earlier right of demand), or renewable at the option of the City to a date, more than one year after the original creation or assumption of such Debt by the City.

"Government Obligations" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

"Gross Revenues" means all revenues, income, and receipts derived or received by the City from the operation and ownership of the Water/Wastewater System, including interest income and earnings from the investment or deposit of money in any Fund created by the Ordinance or a Supplement or maintained by the City in connection with the Water/Wastewater System, other than those amounts subject to payment to the United States of America as rebate pursuant to section 148 of the Code, and Other Available Water/Wastewater System Revenues . The term "Gross Revenues", however, does not include refundable meter deposits, restricted gifts and grants in aid of construction or impact fees charged under authority of Chapter 395, Texas Local Government Code, which by law are restricted as to use.

"Holder" or **"Bondholder"** or **"owner"** means the registered owner appearing on the books and records of the Registrar of any Parity Water/Wastewater Obligation registered as to ownership and the holder of any Parity Water/Wastewater Obligation payable to bearer.

"Maturity" when used with respect to any Debt means the date the principal of such Debt or any installment thereof becomes due and payable, whether at its Stated Maturity or by declaration of acceleration, call for redemption, or otherwise.

"Net Revenues" and **"Net Revenues of the Water/Wastewater System"** with respect to any period of time means the Gross Revenues for such period less Operating Expenses incurred during such period.

"Operating Expenses" means the expenses of operation and maintenance of the Water/Wastewater System, including all salaries, labor, materials repairs, and extensions necessary to render efficient service, provided, however, that only such repairs and extensions, as in the judgment of the City, reasonably and fairly exercised by the passage of appropriate ordinances, are necessary to render adequate service, or such as might be necessary to meet some physical accident or condition which would otherwise impair any Parity Water/Wastewater Obligations. Operating Expenses shall include the purchase of water, the treatment and disposal of wastewater,

and, to the extent permitted by law Operating Expenses may include payments made on or in respect of obtaining and maintaining any Credit Agreement or Credit Facility. Depreciation shall not be considered as expenses of operation and maintenance.

"Opinion of Counsel" means a written opinion of counsel acceptable to the City.

"Ordinance" means this Ordinance No. 000608-56A pertaining to the issuance Parity Water/Wastewater Obligations, and any amendments thereto.

"Other Available Water/Wastewater System Revenues" means an amount of unencumbered funds accumulated in the Water/Wastewater System Surplus Revenue Account designated as Other Available Water/Wastewater Funds and deposited to the credit of the System Fund as provided in Section 9 hereof; provided, the maximum amount which may be so designated in any Fiscal Year for purposes of complying with the provisions of Sections 4 and 10 of this Ordinance cannot exceed twenty-five per cent (25%) of the Debt Service Requirements for the Parity Water/Wastewater Obligations for such Fiscal Year.

"Outstanding" when used with respect to Parity Water/Wastewater Obligations means, as of the date of determination, all Parity Water/Wastewater Obligations theretofore delivered under this Ordinance and any Supplement, except:

- (i) Parity Water/Wastewater Obligations theretofore canceled and delivered to the City or delivered to the Paying Agent or the Registrar for cancellation;
- (ii) Parity Water/Wastewater Obligations deemed paid pursuant to the provisions of Section 11 of the Ordinance or any comparable section of any Supplement;
- (iii) Parity Water/Wastewater Obligations upon transfer of or in exchange for and in lieu of which other Parity Water/Wastewater Obligations have been authenticated and delivered pursuant to the Ordinance and any Supplement; and
- (iv) Parity Water/Wastewater Obligations under which the obligations of the City have been released, discharged, or extinguished in accordance with the terms thereof;

provided, that, unless acquired for purposes of cancellation, Parity Water/Wastewater Obligations owned by the City shall be deemed to be Outstanding as though owned by any other owner.

"Outstanding Principal Amount" means, with respect to all Parity Water/Wastewater Obligations or to a series of Parity Water/Wastewater Obligations, the outstanding and unpaid principal amount of such Parity Water/Wastewater Obligations paying interest on a current basis and the accreted value as of each compounding date for Parity Water/Wastewater Obligations paying accrued, accreted, or compounded interest only at maturity and as determined and established in the Supplement authorizing the issuance of such Parity Water/Wastewater Obligations

"Prior First Lien Obligations" means those obligations identified and described in the preamble of the Ordinance.

"Prior Subordinate Lien Obligations" means to obligations identified and described in the preamble of the Ordinance.

"Parity Water/Wastewater Obligations" means all Debt of the City, except Previously Issued Separate Lien Obligations, issued or incurred in accordance with the terms of the Ordinance and a Supplement, and secured by a lien on and pledge of the Net Revenues.

"Paying Agent" means bank, trust company or other entity selected by the City in a Supplement undertaking the duties and responsibilities for the payment to the Holders of the principal of and interest on the series or issue of Parity Water/Wastewater Obligations.

"Previously Issued Separate Lien Obligations" means those obligations payable, in whole or in part under a contract with the City, from and secured only by a lien on and pledge of the Net Revenues of the Water/Wastewater System and more particularly described as follows: (i) Circle C MUD#4 City of Austin, Texas Contract Revenue Bonds, Series 1990, dated date February 1, 1990 and currently outstanding in the principal amount of \$2,745,000, (ii) Circle C MUD #3 City of Austin, Texas Contract Revenue Bonds, Series 1991, dated date June 15, 1991, and currently outstanding in the principal amount of \$26,835,000, (iii) Village at Western Oaks MUD City of Austin, Texas Contract Revenue Bonds, Series 1991, dated August 15, 1991, and currently outstanding in the principal amount of \$17,570,000, (iv) Southland Oaks MUD City of Austin, Texas Contract Revenue Bonds, Series 1991, dated August 15, 1991, and currently outstanding in the principal amount of \$20,525,000, (v) Maple Run at Austin MUD City of Austin, Texas Contract Revenue Bonds, Series 1992, dated February 1, 1992, and currently outstanding in the principal amount of \$13,255,000, and (vi) North Austin MUD#1 City of Austin, Texas Refunding Contract Revenue Bonds, Series 1994, dated February 1, 1994, and currently outstanding in the principal amount of \$13,035,000.

"Prudent Utility Practice" means any of the practices, methods and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act at the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. In the case of any facility included in the Water/Wastewater System which is owned in common with one or more other entities, the term "Prudent Utility Practice", as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

"Rating Agency" means a nationally recognized securities rating agency which has assigned a rating to the Parity Water/Wastewater Obligations.

"Required Reserve Amount" means an amount equal to 50% of the average Annual Debt Service Requirements of the Parity Water/Wastewater Obligations then Outstanding, to the extent such Parity Water/Wastewater Obligations are to be secured by the Reserve Fund in accordance with the terms and provisions of Section 8 of the Ordinance and the provisions of any Supplement.

"Reserve Fund" means the "Water/Wastewater System Revenue Obligation Reserve Fund" established pursuant to Section 8 of the Ordinance.

"Reserve Fund Obligations" means cash, Eligible Investments, any Credit Facility, or any combination of the foregoing.

"Registrar" means bank, trust company or other entity selected by the City in a Supplement to serve as the registrar for the registration and transfer of a series or issue of Parity Water/Wastewater Obligations issued in fully registered form as to the payment of principal of and interest thereon.

"Stated Maturity" when used with respect to Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Debt" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Water/Wastewater Obligations then Outstanding or subsequently issued.

"Supplement" or **"Supplemental Ordinance"** means an ordinance supplemental to, and authorized and adopted by the governing body of the City pursuant to the terms of, the Ordinance.

"System Fund" means the **"Water and Sewer System Fund"** affirmed in Section 6 of the Ordinance.

"Term of Issue" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the "maximum maturity date" in the case of commercial paper ("maximum maturity date" having the meaning given to said term in any Supplement authorizing the issuance of commercial paper) or (ii) twenty-five years.

"Utility System Consultant" means an independent firm, person or corporation recognized as having expertise and with a favorable reputation for special skill and knowledge in the operations and financing of municipal water and wastewater facilities and systems similar in size to the Water/Wastewater System.

"Value of Investment Securities" and words of like import shall mean the amortized value thereof, provided, however, that all United States of America, United States Treasury Obligations--State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are

then redeemable. The computations made under this paragraph shall include accrued interest on the investment securities paid as a part of the purchase price thereof and not collected. For the purposes of this definition "amortized value", when used with respect to a security purchased at par means the purchase price of such security.

"Water/Wastewater System" means all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of water and the collection, treatment and disposal or reuse/reclaim of wastewater, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Water/Wastewater System shall not include facilities of any kind which are declared not to be a part of the Water/Wastewater System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Debt", which term is defined as being special revenue obligations of the City not secured by or payable from the Net Revenues but which are secured by and payable solely from special contract revenues, or payments received from the City or any other legal entity, or any combination thereof, in connection with such facilities.

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APPENDIX D

SELECTED MODIFIED PROVISIONS FROM ORDINANCES RELATING TO PRIOR SUBORDINATE LIEN OBLIGATIONS

References in this Appendix to Prior Lien Bonds are no longer effective. As of May 15, 2019, the last of the outstanding Prior Lien Bonds were retired. Under the terms of the Master Ordinance, the City covenanted not to issue Prior Lien Bonds in the future.

Definitions. The following definitions are provided:

City-shall mean the City of Austin, Texas, located in the Counties of Travis and Williamson.

Electric Light and Power System-shall mean all facilities and plants currently owned, operated and maintained by the City, wholly or partially in participation with others, for the generation, transmission, supply and distribution of electrical energy and power, together with all future extensions, improvements, replacements and additions thereto, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "Electric Light and Power System" shall not include facilities of any kind (including any electric power generating and transmission facilities) which are declared not to be a part of the Electric Light and Power System and which are acquired or constructed by the City, or in participation with others, with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of the City which are not Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations but which are payable from and secured by other liens on and pledges of any revenues, sources or payments not pledged to the payment of the Prior Lien Bonds, the Subordinate Lien Bonds or Separate Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Fiscal Year-shall mean the twelve month period used by the City in connection with the operation of the Systems which may be any twelve consecutive month period established by the City.

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

Gross Revenues-shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants and proceeds derived from the sale or other disposition of all or part of the City's participating interest in the South Texas Project and revenues, sources or payment from facilities acquired or constructed with "Special Facilities Bonds") of the respective system, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the City for the payment and security of the Prior Lien Bonds or the Subordinate Lien Bonds or Separate Lien Obligations.

Maintenance and Operating Expenses-shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all current expenses of operating and maintaining the respective system, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Prior Lien Bonds or the Subordinate Lien Bonds shall be deducted in determining "Net Revenues." Depreciation shall never be considered as an expense of Maintenance and Operation. Maintenance and Operating Expenses shall include payments under contracts for the purchase of power and energy, water supply or other materials, goods or services for the Systems to the extent authorized by law and the provisions of such contract.

Net Revenues-shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, Gross Revenues of the respective system after deducting the system's Maintenance and Operating Expenses.

Outstanding-shall mean with respect to Bonds, as of the date of determination, all Bonds theretofore issued and delivered under this Ordinance, except:(i) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation; (ii) those Bonds for which payment has been duly provided by the City in

accordance with the provisions of Section 27 hereof; and(iii) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 30 hereof.

Subordinate Lien Bonds-shall mean the outstanding revenue bonds of those series designated) "City of Austin, Texas, Subordinate Lien Revenue Refunding Bonds, Series 1998," dated October 1, 1998.

Required Reserve-shall mean the amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 15 hereof.

Separate Lien Obligations-shall mean (a) those obligations hereafter (i) issued or incurred by the City payable solely from the Net Revenues of either the Electric Light and Power System or the Net Revenues of the Waterworks and Sewer System, but not both, (ii) incurred pursuant to express charter or statutory authority heretofore or hereafter adopted or enacted and (iii) which by the terms of the ordinance authorizing their issuance or the incurring of the obligation provide for payments to be made by the City for the retirement or payment thereof to be secured solely by a lien on and pledge of the Net Revenues of the Electric Light and Power System or the Net Revenues of the Waterworks and Sewer System, but not both, of equal dignity with the lien on and pledge of said Net Revenues securing the payment of the Subordinate Lien Bonds and (b) those contractual obligations of the City heretofore incurred payable solely from and secured by a lien on and pledge of the Net Revenues of the Water and Sewer System and securing the payment of certain outstanding contract revenue bonds more specifically identified in Exhibit B.

South Texas Project-shall mean the City's ownership interest in two nuclear steam electric generating units and related land and facilities, as more particularly defined in the South Texas Project Participation Agreement effective as of December 1, 1973, as amended.

Systems-shall mean collectively the Electric Light and Power System and the Waterworks and Sewer System.

Waterworks and Sewer System-shall mean all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "Waterworks and Sewer System" shall not include facilities of any kind which are declared not to be a part of the Waterworks and Sewer System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of the City which are not Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of Prior Lien Bonds, the Subordinate Lien Bonds or Separate Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Pledge. (a) Electric Light and Power System. Subject only to the prior lien on and pledge of the Net Revenues of the Electric Light and Power System for the payment and security of the Prior Lien Bonds, the City hereby covenants and agrees that the Net Revenues of the Electric Light and Power System, with the exception of those in excess of the amounts required for the payment and security of the Subordinate Lien Bonds and the Separate Lien Obligations, shall be and are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Subordinate Lien Bonds and Additional Subordinate Lien Bonds, if issued, and to satisfy amounts required for the payment of Separate Lien Obligations, if issued or incurred, and the pledge of the Net Revenues of the Electric Light and Power System in this document affirmed and made for the payment and security of the Subordinate Lien Bonds and Separate Lien Obligations, if issued, shall constitute a lien on the Net Revenues of the Electric Light and Power System in accordance with the terms and provisions hereof, subject and subordinate only to the lien and pledge securing the payment of the Prior Lien Bonds.

(b) Waterworks and Sewer System. Subject only to the prior lien on and pledge of the Net Revenues of the Waterworks and Sewer System for the payment and security of the Prior Lien Bonds, the City hereby covenants and agrees that the Net Revenues of the Waterworks and Sewer System, with the exception of those in excess of the amounts required for the payment and security of the Subordinate Lien Bonds and the Separate Lien Obligations, shall be and are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Subordinate Lien Bonds and Additional Subordinate Lien Bonds, if issued, and to satisfy amounts required for the payment of Separate Lien Obligations now outstanding and hereafter issued or incurred, and the pledge of the Net Revenues of the Waterworks and Sewer System in this document affirmed and made for the payment and security of the Subordinate Lien Bonds and Separate Lien

Obligations now outstanding and hereafter issued, shall constitute a lien on the Net Revenues of the Waterworks and Sewer System in accordance with the terms and provisions hereof, subject and subordinate only to the lien and pledge securing the payment of the Prior Lien Bonds.

Rates and Charges. For the benefit of the Holders and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Subordinate Lien Bonds are outstanding, to establish and maintain rates and charges for facilities and services afforded by the Electric Light and Power System and the Waterworks and Sewer System to provide Gross Revenues in each Fiscal Year from each System sufficient:

- (1) To pay the respective Maintenance and Operating Expenses thereof,
- (2) To provide amounts required to establish, maintain or restore, as the case may be, a required balance in any reserve or contingency fund created for the payment and security of Separate Lien Obligations,
- (3) To produce combined Net Revenues of the Systems sufficient to pay the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Prior Lien Bonds, the Subordinate Lien Bonds, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the combined Net Revenues of the Systems, and
- (4) To produce combined Net Revenues of the Systems (after satisfaction of the amounts required to be paid in 2 and 3 above) equal to at least the sum of (i) 1.25 times the annual principal and interest requirements (or other similar payments) for the then outstanding Prior Lien Bonds and Separate Lien Obligations and (ii) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Subordinate Lien Bonds and all other indebtedness (except Prior Lien Bonds and Separate Lien Obligations) payable only from and secured solely by lien on and pledge of the Net Revenues of the Systems, either or both.

Electric Light and Power System Fund. The City hereby covenants and agrees that the Gross Revenues of the Electric Light and Power System shall be deposited, as collected, into a separate account maintained with a depository bank of the City and known as the "Electric Light and Power System Fund" (in this document called the "Electric Fund") and such revenues of the Electric Light and Power System shall be kept separate and apart from all other funds of the City. All revenues deposited in the Electric Fund shall be pledged and appropriated to the extent required for the following uses and in the order of precedence shown:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the Electric Light and Power System, as defined in this document or required by statute to be a first charge on and claim against the Gross Revenues thereof.

SECOND: To the payment of the amounts required to be deposited in the special funds or accounts created for the payment and security of the Prior Lien Bonds.

THIRD: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to obligations for which the Reserve Fund was created and established to pay.

FOURTH: To the payment of the amounts required to be deposited in the Interest and Redemption Fund created and established for the payment of principal of and interest on the Subordinate Lien Bonds as the same becomes due and payable and the payment of Separate Lien Obligations secured by a lien on and pledge of the Net Revenues of the Electric Light and Power System.

Any Net Revenues remaining in the Electric Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Water and Sewer System Fund. The City hereby covenants and agrees that Gross Revenues of the Waterworks and Sewer System shall be deposited, as collected, into a separate account maintained with a depository bank of the City and known as the "Water and Sewer System Fund" (in this document called the "Water and Sewer Fund") and such revenues of the Waterworks and Sewer System shall be kept separate and apart from all other funds of the City. All revenues deposited in the Water and Sewer Fund shall be pledged and appropriated to the extent required for the following uses and in the order of precedence shown:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the Waterworks and Sewer System, as defined in this document or required by statute to be a first charge on and claim against the Gross Revenues thereof.

SECOND: To the payment of the amounts required to be deposited in any special funds or accounts created for the payment and security of the Prior Lien Bonds.

THIRD: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to obligations for which the Reserve Fund was created and established to pay.

FOURTH: To the payment of the amounts required to be deposited in the Interest and Redemption Fund created and established for the payment of principal of and interest on the Subordinate Lien Bonds as the same becomes due and payable and the payment of Separate Lien Obligations secured by a lien on and pledge of the Net Revenues of the Waterworks and Sewer System.

Any Net Revenues remaining in the Water and Sewer Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Reserve Fund. (a) In connection with the issuance of the Prior Lien Bonds and Subordinate Lien Bonds, the City agrees and covenants to keep and maintain with its depository bank a separate and special fund known as the "Combined Pledge Revenue Bond Common Reserve Fund" (the "Reserve Fund") for the purpose of accumulating and maintaining funds as a reserve for the payment of the Prior Lien Bonds and Subordinate Lien Bonds in an amount (the "Required Reserve") equal to the average annual requirement (calculated on a calendar year basis) for the payment of principal of and interest (or other similar payments) on all outstanding Prior Lien Bonds and Subordinate Lien Bonds, as determined on (i) the date of the initial deposit of a Financial Commitment (as defined in this document) to the Reserve Fund or (ii) the date one or more rating agencies announces the rating of the insurance company or association providing the Financial Commitment for the Reserve Fund falls below the minimum requirement noted below, whichever date is the last to occur. All funds deposited in the Reserve Fund (excluding earnings and income derived or received from deposits or investments which, subject to the limitations specified in this document, may be withdrawn and transferred from the Reserve Fund) shall be used solely for the payment of the principal of and interest on the Prior Lien Bonds and the Subordinate Lien Bonds on a pro rata basis, when (whether at maturity, upon mandatory redemption prior to maturity or any interest payment date) and to the extent other funds available for such purpose are insufficient, and, in addition, may be used to retire the last of the Prior Lien Bonds or Subordinate Lien Bonds outstanding.

The total amount required to be accumulated and maintained in the Reserve Fund is \$106,790,325.15 (the Required Reserve), which amount is equal to or greater than the average annual requirement (calculated on a calendar year basis) for the payment of principal of and interest (or other similar payments) on all outstanding Prior Lien Bonds and Subordinate Lien Bonds as determined on the date of the initial deposit of a Financial Commitment (as defined in this document) to the Reserve Fund.

Currently, the Reserve Fund is fully funded at the Required Reserve with Financial Commitments of Financial Security Assurance Inc. in the amounts of \$30,000,000 (the Initial Financial Commitment acquired) and \$76,790,325.15 (an additional Financial Commitment acquired on or about August 31, 2004).

When and so long as the money and investments, or Financial Commitments, are on deposit to the credit of the Reserve Fund in an amount equal to or exceeding the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve, the City covenants and agrees to cure the deficiency in the Required Reserve within twelve (12) months from the date the Required Reserve

deficiency occurred with available Net Revenues in the Electric Fund and the Water and Sewer Fund, and the City hereby covenants and agrees that, subject only to payments required for the payment of principal of and interest on the Prior Lien Bonds and the establishment and maintenance of the special funds (other than the Reserve Fund) created for the payment and security thereof, all Net Revenues remaining in the Electric Fund and the Water and Sewer Fund shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amount as required by the terms of this Ordinance and any other ordinance pertaining to obligations the payment of which are secured by the Required Reserve. During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the "Interest and Redemption Fund" created and established for the payment and redemption of the Subordinate Lien Bonds while the same remain outstanding and, at such time as the Subordinate Lien Bonds are no longer outstanding, such surplus may be deposited in the Bond Fund.

Notwithstanding any provision contained in this document to the contrary, the Required Reserve may be funded, in whole or in part, by depositing to the credit of the Reserve Fund (i) cash, (ii) investments, and (iii) one or more Financial Commitments. The term Financial Commitments means an irrevocable and unconditional policy of bond insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of Texas and with financial strength meeting the requirements below. Such insurance policy or surety bond shall provide for payment thereunder of moneys when other funds available to the payment of the Prior Lien Bonds or Subordinate Lien Bonds, or both, in the interest and sinking fund maintained for the payment of the Prior Lien Bonds or Subordinate Lien Bonds, or both, is insufficient on a payment date when interest or principal, or both, is due and payable for such obligations.

The financial strength of the insurance company or association providing the Financial Commitment must be rated on the date of the deposit of the Financial Commitment to be credit of the Reserve Fund in the highest rating category by Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings and, if rated, by A.M. Best. In the event the rating of the financial strength of a provider of a Financial Commitment falls below (i) "Aa2" by Moody's Investors Service, Inc., (ii) "AA" by Standard & Poor's Ratings Services, (iii) "AA" by Fitch Ratings or (iv) if applicable, "A+" by A.M. Best, the City will be required to replace the Financial Commitment with (a) cash and Authorized Securities or (b) a substitute Financial Commitment issued by an insurance company or association that satisfies the ratings requirements summarized above in this paragraph (but in no event less than the ratings described in clauses (i), (ii), (iii) and (iv) of this sentence.).

Notwithstanding any provision in this document to the contrary, the City may at any time substitute one or more Financial Commitments for the cash and securities deposited to the credit of the Reserve Fund, and following the substitution of one or more Financial Commitments for cash and securities held in the Reserve Fund, the cash and securities released from the Reserve Fund, net of costs incurred with respect to the initial substitution of the Financial Commitment, shall be deposited to the credit of one or more special accounts maintained on the books and records of the City and expended only to pay, discharge and defease Prior Lien Bonds and Subordinate Lien Bonds in a manner that reduces the principal amount and Maturity Amount of outstanding Prior Lien Bonds and Subordinate Lien Bonds.

(b) Initial Financial Commitment. As permitted in paragraph (a) above, the City has determined to acquire initially a Financial Commitment for the Reserve Fund with coverage in the maximum amount of \$30,000,000 to fund in part the Required Reserve from Financial Security Assurance Inc., a New York domiciled insurance company (referred to in this document as "FSA"). In accordance with FSA's terms for the issuance of a "Municipal Bond Debt Service Reserve Insurance Policy" (the "Reserve Policy"), an Insurance Agreement by and between the City and FSA has been submitted to the City for approval and execution, and such Insurance Agreement, substantially in the form and content of Exhibit A attached hereto, is hereby approved and authorized to be executed by the City Manager and such Insurance Agreement, as executed and delivered by the City Manager, shall be deemed the Insurance Agreement in this document approved by the City Council and authorized for execution.

To the extent the City should make a draw under the Reserve Policy, the City acknowledges and agrees the repayment of "Policy Costs," as defined in the Insurance Agreement, shall constitute a payment of an amount required to be deposited in the Reserve Fund to establish and maintained the Required Reserve, and insofar as the priority of uses of the revenues of (i) Electric Light and Power System and (ii) the Waterworks and Sewer System, such Policy Costs shall be entitled to the same priority of payment identified in the Prior Lien Bond Ordinances for payments required to be deposited in the Reserve Fund to establish and maintain the Required Reserve.

Interest and Redemption Funds. For purposes of providing funds to pay the principal of and interest on the Prior Lien Bond or the Subordinate Lien Bonds, as the case may be, as the same becomes due and payable (whether at maturity or upon redemption), the City agrees to maintain at a depository bank of the City a separate and special account or fund known as the "City of Austin Interest and Redemption Fund" (the "Interest and Redemption Fund").

The City covenants that there shall be deposited into said Fund prior to each interest and principal payment date for the Prior Lien Bonds and for the Subordinate Lien Bonds from the Net Revenues in the Electric Fund and the Water and Sewer Fund amounts equal to one hundred per centum (100%) of the amount required to fully pay the interest on and principal then due and payable on the Prior Lien Bonds and the Subordinate Lien Bonds, as the case may be, such deposits to pay principal at maturity or redemption, as the case may be, and accrued interest to be made in substantially equal monthly installments on or before the 14th day of each month, beginning on or before the 14th day of the month. If the Net Revenues in the Electric Fund and the Water and Sewer Fund in any month are then insufficient to make the required payments into the Interest and Redemption Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Redemption Fund in the next month.

The monthly deposits to the Interest and Redemption Fund for the payment of principal and interest on the Prior Lien Bonds and the Subordinate Lien Bonds shall continue to be made as in this document above provided until such time as (i) the total amounts on deposit in the respective Interest and Redemption Fund and Reserve Funds is equal to the amount required to pay all outstanding indebtedness (principal and interest) for which said Funds were created and established or (ii) the Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, are no longer Outstanding.

Accrued interest and premium, if any, received from the purchaser of the Bonds shall be deposited to the credit of the Interest and Redemption Fund and taken into consideration and reduce the amount of the monthly deposits in this document above required to be deposited in the Interest and Redemption Fund from the Net Revenues of the Systems.

Investment of Certain Funds. (a) Money in any Fund required to be maintained pursuant to this Ordinance may, at the option of the City, be placed in time deposits or certificates of deposit secured by obligations of the type described in this document, or be invested, including investments held in book-entry form, in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Interest and Redemption Fund immediately shall be credited to, and any losses debited to, the Interest and Redemption Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited in the Interest and Redemption Fund.

All such investments with respect to the Interest and Redemption Fund and Reserve Fund shall be sold promptly when necessary to prevent any default in connection with the Subordinate Lien Bonds and, with respect to the Reserve Fund, to prevent any default in connection with the Prior Lien Bonds.

(b) Money in all Funds required to be maintained by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues of the Systems, either or both, junior and subordinate to the lien and pledge securing the payment of the Subordinate Lien Bonds, as may be authorized by the laws of the State of Texas.

Maintenance and Operation-Insurance. The City shall maintain the Systems in good condition and operate each in an efficient manner and at reasonable cost. So long as any Bonds are Outstanding, the City agrees to maintain insurance, for the benefit of the Holders of the Bonds, on the Systems of a kind and in an amount which usually would be carried by municipal corporations engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the

City to expend any funds derived from sources other than the operation of the Systems, but nothing in this document shall be construed as preventing the City from doing so.

Sale, Lease or Disposal of System Property. To the extent and in the manner provided by law, the City can sell, exchange or otherwise dispose of property and facilities constituting part of the System at any time and from time to time, provided such sale or exchange of property or facilities does not impede the operations of the System. In the event the property, facilities or assets of the System sold or exchanged represents more than 5% of the total assets of the System, the City agrees to notify the rating agencies then rating the Prior Lien Bonds, Subordinate Lien Bonds and Separate Lien Obligations and bond insurance companies insuring the Prior Lien Bonds, Subordinate Lien Bonds and Separate Lien Obligations of such sale, exchange or disposal of property and facilities. Prior to the sale or exchange of any assets or properties representing more than 5% of the total assets of the System being completed, a written response shall be obtained from the rating agencies then rating the Prior Lien Bonds, Subordinate Lien Bonds and Separate Lien Obligations to the effect that such sale or exchange of such assets or properties in and of itself will not result in a rating category change of the ratings then assigned on such obligations. Furthermore, the City to the extent and in the manner provided by law may lease, contract, or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights to the properties and facilities of the System, provided such lease, contract, license, arrangement, easement or right does not impede or disrupt the operations of the System. The proceeds of any such sale, exchange or disposal of property or facilities shall be deposited to the credit of a special Fund or Account, and funds deposited to the credit of such Fund or Account shall be used either (i) to acquire other property necessary or desirable for the safe or efficient operation of the System, or (ii) to redeem, defease or retire Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations.

Records and Accounts. The City hereby covenants and agrees that so long as any of the Bonds or any interest thereon remains Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the Waterworks and Sewer System and the Electric Light and Power System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Article 1113, V.A.T.C.S. The Holders of any Bonds or any duly authorized agent or agents of such Holders shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the respective Systems and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

- (a) A detailed statement of the income and expenditures of the Electric Light and Power System and of the Waterworks and Sewer System for such Fiscal Year.
- (b) A balance sheet for the Electric Light and Power System and the Waterworks and Sewer System as of the end of such Fiscal Year.
- (c) The Accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and any other ordinance authorizing the issuance of Prior Lien Bonds or Subordinate Lien Bonds and his recommendations for any changes or improvements in the operations, records and accounts of the respective Systems.
- (d) A list of insurance policies in force at the end of the Fiscal Year covering the properties of the respective Systems, setting out as to each policy the amount thereof, the risk covered, the name of the insurer and the policy's expiration date.

Expenses incurred in making an annual audit of the operations of the Systems are to be regarded as Maintenance and Operating Expenses of the respective Systems and paid on a pro rata basis or as otherwise determined by the City from available revenues in the Electric Fund and Water and Sewer Fund, either or both. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, the Texas Water Development Board, Attention: Executive Administrator, State Water Pollution Control Revolving Fund and, upon request, to the original purchaser of any series of Subordinate Lien Bonds. The audits in this document required shall be made within 120 days following the close of each Fiscal Year insofar as is possible.

Deficiencies; Excess Net Revenues. (a) If on any occasion there shall not be sufficient Net Revenues of the Systems to make the required deposits into the Interest and Redemption Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues of the Systems, or from any other sources available for such purpose.

(b) Subject to making the required deposits to (i) all special funds created for the payment and security of the Prior Lien Bonds (including the Reserve Fund) (ii) all special funds created for the payment and security of the Subordinate Lien Bonds (including the Interest and Redemption Fund) and (iii) all funds or accounts created for the benefit of Separate Lien Obligations, the excess Net Revenues of the Systems, either or both, may be used by the City for any lawful purpose.

Final Deposits; Governmental Obligations. (a) All or any of the Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, shall be deemed to be paid, retired and no longer outstanding within the meaning of their respective ordinances when payment of the principal of, and redemption premium, if any, on such obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall have been paid or the payment thereof provided for the satisfaction of the Paying Agent/Registrar. At such time as an obligation shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of this Ordinance or a lien on and pledge of the Net Revenues of the Systems, and shall be entitled to payment solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, may at the direction of the City also be invested in Government Obligations, maturing in the amounts and at the times as in this document before set forth, and all income from all Government Obligations not required for the payment of the obligations, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City or deposited as directed by the City.

(c) The City covenants that no deposit will be made or accepted under clause (a)(ii) of this Section and no use made of any such deposit which would cause the obligations to be treated as arbitrage bonds within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended.

(d) Notwithstanding any other provisions of the ordinances, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of the obligations, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of such obligations, the redemption premium, if any, and interest thereon and the income on such money or Government Obligations shall not be considered to be "Gross Revenues" under this Ordinance.

Remedy in Event of Default. In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Redemption Fund or the Reserve Fund as required by the ordinances authorizing the issuance of the Prior Lien Bonds or the Subordinate Lien Bonds, as the case may be, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in such ordinances, the Holders of any of the Prior Lien Bonds or Subordinate Lien Bonds, as the case may be, shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the ordinance authorizing their issuance. 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 in this document, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy in this document provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

Special Obligations. The Bonds are special obligations of the City payable from the pledged Net Revenues of the Systems and the Holders shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

APPENDIX E

FORM OF BOND COUNSEL'S OPINION

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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.*

**CITY OF AUSTIN, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE REFUNDING BONDS, SERIES 2022
\$295,840,000**

AS BOND COUNSEL for the City of Austin, Texas (the "City"), the issuer of the bonds described above (the "Bonds"), we have examined into the record of proceedings relating to the issuance of the Bonds. The Bonds bear interest from the date and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified in the Bonds, all in accordance with the master ordinance (the "Master Ordinance") and the forty-Second supplemental ordinance to the Master Ordinance of the City authorizing the issuance of the Bonds (the "Forty-Second Supplement", and together with the Master Ordinance, the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the Constitution and statutes of the State of Texas, the Charter of said City, certified copies of the proceedings of the City Council of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. T-1).

IN OUR OPINION, under existing laws, such record of proceedings shows lawful authority for the issuance and sale of the Bonds in accordance with the provisions, terms and conditions of the Ordinance, which was duly adopted by the City. We are further of the opinion that, under existing laws, the Ordinance and the Bonds constitute valid and legally binding special obligations of the City, and, except as may be limited by laws applicable to the City relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, that the interest on and principal of the Bonds, together with outstanding Previously Issued Parity Water/Wastewater Obligations and Prior Subordinate Lien Obligations, are payable from, and secured by a parity lien on and pledge of, the Net Revenues of the System in the manner provided in the Ordinance. The Bonds are secured ratably by such pledge of revenues in such manner that no one Bond shall have priority of lien over any other Bond so secured. The holder or holders of the Bonds shall never have the right to demand payment out of money raised or to be raised by taxation.

THE CITY has reserved the right, subject to certain restrictions, to issue additional revenue obligations in all things on parity with the Bonds and payable from and equally secured

by a lien on and pledge of the Net Revenues of the System in the same manner and to the same extent as the Bonds.

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 alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In addition, we have relied upon the report of Robert Thomas, CPA, LLC, independent certified public accountants, with respect to certain arithmetical and mathematical computations relating to the Bonds and the obligations refunded with the proceeds of the Bonds. 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 City 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. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations such as the Bonds may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 City, and, in that capacity, we have been engaged by the City 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 with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, 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 City, 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 and have relied solely on certificates executed by officials of the City as to the availability and sufficiency of the Net Revenues of the System.

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 (the "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. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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