Addendum dated November 15, 2021 to the Official Statement dated October 27, 2021 relating to the issuance and sale of:

$216,380,000
CITY OF AUSTIN, TEXAS
Water and Wastewater System Revenue Refunding Bonds, Series 2021

The optional redemption language on page 16 under "DESCRIPTION OF THE BONDS – Optional Redemption of the Bonds" of the Official Statement relating to the $216,380,000 City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2021 (the "Bonds") is hereby amended and replaced in its entirety with the language below.

Optional Redemption of the Bonds

The City reserves the right, at its option, to redeem Bonds maturing on or after November 15, 2032, in whole or in part, in the principal amounts of $5,000 or any integral multiple thereof on November 15, 2031, 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT DATED OCTOBER 27, 2021

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 Thirty-Eighth 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.

CITY OF AUSTIN, TEXAS
$216,380,000
Water and Wastewater System Revenue Refunding Bonds, Series 2021

Dated: September 27, 2021 **Due: November 15, as shown on page ii of this document**
Interest to accrue from Date of Initial Delivery

The bonds offered in this document are the $216,380,000 City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2021 (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 October 14, 2021 (the "Thirty-Eighth Supplement"). The Master Ordinance and Thirty-Eighth Supplement together are referred to in this document as the "Bond Ordinance." The Thirty-Eighth Supplement delegated to a designated "Pricing Officer" the authority to effect the sale of the Bonds, subject to the terms of the Thirty-Eighth Supplement. See "INTRODUCTION" in this document. The Master Ordinance contains the terms for the issuance of Parity Water/Wastewater Obligations and the covenants and security provisions related thereto. 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 Thirty-Eighth 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 of the Bonds and shall be payable on May 15, 2022 and each November 15 and May 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.

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, Haynes and Boone, LLP. The Bonds are expected to be available for delivery on or about November 18, 2021.

MORGAN STANLEY

BAIRD **PIPER SANDLER & CO.** **RAYMOND JAMES**

CITY OF AUSTIN, TEXAS
$216,380,000
Water and Wastewater System Revenue Refunding Bonds, Series 2021
Base CUSIP No. 052477 (1)

MATURITY SCHEDULE

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix (1)
2024	$4,665,000	5.000%	0.440%	MD5
2025	16,615,000	5.000%	0.620%	ME3
2026	22,490,000	5.000%	0.740%	MF0
2027	6,005,000	5.000%	0.880%	MG8
2028	6,320,000	5.000%	1.030%	MH6
2029	6,640,000	5.000%	1.180%	MJ2
2030	6,980,000	5.000%	1.300%	MK9
2031	7,335,000	5.000%	1.380%	ML7
2032	7,720,000	5.000%	1.450% (2)	MM5
2033	8,115,000	5.000%	1.500% (2)	MN3
2034	8,525,000	5.000%	1.540% (2)	MP8
2035	8,965,000	5.000%	1.580% (2)	MQ6
2036	9,375,000	4.000%	1.720% (2)	MR4
2037	9,805,000	5.000%	1.640% (2)	MS2
2038	10,260,000	4.000%	1.810% (2)	MT0
2039	10,740,000	5.000%	1.690% (2)	MU7
2040	11,225,000	4.000%	1.840% (2)	MV5
2041	11,680,000	4.000%	1.860% (2)	MW3

$19,070,000 Term Bond due November 15, 2046; Rate 5.000%; Initial Yield 1.880%, CUSIP 052477MX1 (1)(2)

$23,850,000 Term Bond due November 15, 2051; Rate 4.000%; Initial Yield 2.080%, CUSIP 052477MY9 (1)(2)

(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.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data in this document is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. The City, the Financial Advisor, and the Underwriters do not take any responsibility for the accuracy of such numbers.

(2) Initial yield shown is the yield to the first optional redemption date of November 15, 2031 for the Bonds.

CITY OF AUSTIN

Elected Officials

		Term Expires Jan. 5
Steve Adler	Mayor	2023
Natasha Harper-Madison, Mayor Pro-Tem	Councilmember District 1	2023
Vanessa Fuentes	Councilmember District 2	2025
Sabino "Pio" Renteria	Councilmember District 3	2023
Gregorio "Greg" Casar	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
Anne Morgan	Interim Deputy City Manager
Ed Van Eenoo	Chief Financial Officer
Diana Thomas	Deputy Chief Financial Officer
Kimberly Olivares	Deputy Chief Financial Officer
Deborah Thomas	Acting City Attorney
Jannette S. Goodall	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

For additional information regarding the City, please contact:

Belinda Weaver
Treasurer
City of Austin
919 Congress Avenue, Suite 1250
Austin, TX 78701
(512) 974-7885
belinda.weaver@austintexas.gov

Dennis P. Waley
Managing Director
PFM Financial Advisors LLC
111 Congress Ave, Suite 2150
Austin, TX 78701
(512) 614-5323
waleyd@pfm.com

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, 2017 through September 30, 2020 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 (one series of obligations outstanding 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 remaining series of Prior Subordinate Lien Obligations remain 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

		Fiscal Year Ended September 30 ($000's)			
	12 Months Ended 6-30-2021(2)	2020	2019	2018	2017
Combined Gross Revenues	$1,834,171	$1,959,941	$2,031,435	$1,998,556	$1,974,948
Combined Maintenance and Operating Expenses	1,235,386	1,332,726	1,366,470	1,334,151	1,252,196
Combined Net Revenues	$ 598,785	$ 627,215	$ 664,965	$ 664,405	$ 722,752
Principal and Interest on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	$ 14,962	$ 21,090	$ 46,527	$ 80,433	$ 60,298
Debt Service Coverage on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Obligations) (1)	40.02x	29.74x	14.29x	8.26x	11.99x

(1) Includes only the Prior First Lien Obligations, which were fully paid and discharged on May 15, 2019, and Prior Subordinate Lien Obligations, 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.

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

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, 2017 through September 30, 2020 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 (one series of obligations outstanding 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 remaining series of Prior Subordinate Lien Obligations remain 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 Utility Obligations.

Operating Summary of the Water and Wastewater System

		Fiscal Year Ended September 30			
	12 Months Ended 6-30-2021(3)	2020	2019	2018	2017
Gross Revenues	$569,832	$571,100	$560,168	$581,324	$601,928
Maintenance and Operating Expenses	277,310	266,060	261,004	250,223	233,592
Net Revenues	292,522	305,040	299,164	331,101	368,336
Principal and Interest paid by the Water and Wastewater System on Revenue Bonds of the Combined Utility Systems (Prior First Lien Obligations and Prior Subordinate Lien Revenue Obligations (1)	$3,856	$10,038	$37,392	$67,829	$47,648
Net Revenues Available for Parity Water/Wastewater Obligations (2)	$288,666	$295,002	$261,772	$263,272	$320,688
Principal and Interest on Parity Water/Wastewater Obligations	$167,825	$150,477	$126,203	$142,455	$179,734
Debt Service Coverage Parity Water/Wastewater Obligations (2)	1.72x	1.96x	2.07x	1.85x	1.78x

(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 Prior Subordinate Lien Obligations, 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.

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

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 (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 CUSIP Global Services, 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.

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

Relating to

$216,380,000
CITY OF AUSTIN, TEXAS
Water and Wastewater System Revenue Refunding Bonds, Series 2021

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 $216,380,000 City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2021 (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 October 14, 2021 (the "Thirty-Eighth Supplement"). The Master Ordinance and the Thirty-Eighth Supplement are collectively referred to in this document as the "Bond Ordinance." The Thirty-Eighth Supplement delegated to a designated "Pricing Officer" the authority to effect the sale of the Bonds, subject to the terms of the Thirty-Eighth 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, $67,700,000 of Prior Subordinate Lien Obligations (with maturities extending through May 15, 2025) are outstanding as of the date of this document and 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.

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 Agreement – 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.

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. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Since then, COVID-19 has negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except possibly in counties with an "area with high hospitalizations," where a county judge may impose COVID-19 related mitigation strategies. None of Travis, Williamson and Hays Counties is currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this document.

With the easing or removal of governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses, including revenues collected and paid from ad valorem taxes. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City's operations or financial condition.

Financial Impact of the COVID-19 Pandemic on Austin Water

Austin Water (also referred to in this document as "AW") has 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. On August 12, 2021, the City Council approved the FY 2021-2022 budget which includes an increase in service revenues of $18 million over the FY 2020-2021 approved amended budget, with such revenue increase attributable to customer growth. The Water and Wastewater service revenue budget is $555.8 million for the fiscal year ending September 30, 2021 (FY 2020-2021). As described further below, Austin Water instituted temporary rate reductions and provided other forms of financial assistance in fiscal year 2021 and in fiscal year 2022 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 the remainder of FY 2020-2021 and will continue through FY 2021-2022 (September 30, 2022)

Austin Water provided an additional $5 million contribution to the Emergency Financial Assistance Plus 1 program in FY 2019-2020 and FY 2020-2021 for a combined $10 million. Other methods for assistance included additional measures to halt disconnects 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 has experienced a modest increase in account receivable trends due to COVID-19. In advance of and since disconnects 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 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 Winter Storm Uri, 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 AW began to receive reports of pipe breaks. Water demand across the AW 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 AW 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 Winter Storm Uri, AW experienced minimal financial impacts with $5 million of emergency response costs and $1.2 million in property damage.

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.

Winter Storm Uri created significant financial impacts for many ERCOT market participants. In response, the Texas Legislature passed HB4492, which creates two securitization processes to be repaid through a ratepayer surcharge over a period of up to 30 years. In both processes, the PUC issued and approved a debt obligation on October 14, 2021. The first securitization mechanism is addressed in PURA Chapter 39, Subchapter M and considered in PUC Docket 52321 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 PUC 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 added Section 13.1394 to the Texas Water Code ("Section 13.1394"). Section 13.1394 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 to the TCEQ for its approval that include 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 are required to submit their emergency preparedness plan to the TCEQ by March 1, 2022. Implementation of emergency plans must 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 is developing its response to ensure timely compliance with State law.

SB 3 also added Section 13.151 to the Texas Water Code ("Section 13.151"). Section 13.151 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

Refunding of Outstanding Bonds and Commercial Paper Notes

The Bonds are being issued in part to refund $102,000,000 in aggregate principal amount of the City's outstanding tax-exempt commercial paper notes issued for the Water and Wastewater System (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 Bonds, in an amount equal to the principal amount of the Refunded Notes, will be deposited with U.S. Bank National Association, New York, New York, as issuing and paying agent (the "CP Issuing and Paying Agent") for the Refunded Notes.

Additionally, the Bonds are being issued in part to refund the City's currently outstanding Parity Water/Wastewater Obligations described in "APPENDIX F – SUMMARY OF REFUNDED BONDS" in this document (the "Refunded Bonds") for debt service savings. The remaining proceeds of the Bonds will be used to pay the costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS" in this document.

Refunded Notes

Proceeds from the sale of the Bonds, together with other available funds of the City, will be deposited with 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 that certain Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association (the "Escrow Agent"). The Thirty-Eighth 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, without reinvestment. Such funds will be held by the Escrow Agent in a special escrow account (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 uninvested funds,in the Escrow Fund will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such 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 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 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.

SOURCES AND USES OF FUNDS

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

	The Bonds
Sources of Funds:	
Par Amount of the Bonds	$216,380,000.00
Original Issue Premium	52,870,337.15
City Contribution	7,714,862.00
Total	$276,965,199.15
Uses of Funds:	
Refunding of Commercial Paper Notes	$102,000,000.00
Deposit to Escrow Fund and Refunding of Bonds	173,507,030.00
Costs of Issuance (1)	726,709.09
Underwriter's Discount	731,460.06
Total	$276,965,199.15

(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.

DEBT PAYABLE FROM COMBINED UTILITY SYSTEMS REVENUES
(Anticipated as of November 18, 2021)

Combined Utility Systems Obligations (a)	
Prior Subordinate Lien Obligations	$67,700,000
Parity Electric Utility Obligations (b)	$1,776,850,000
Parity Water/Wastewater Obligations (c)	$2,252,630,000
Commercial Paper and Direct Purchase Notes (d)	$76,600,000
General Obligation Bonds (e)	$2,941,927
Assumed Municipal Utility District Obligations (f)	$3,418,668
TOTAL	$4,180,140,595

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.

(b) The Parity Electric Utility Obligations are payable from the net revenues of the Electric Utility System only. Outstanding Parity Electric Utility Obligations excludes $73,505,000 of principal to be paid on November 15, 2021.

(c) Includes the Bonds and excludes the Refunded Bonds. Includes the City's expected November 17, 2021 issuance of three separate but concurrent issuances of additional Parity Water/Wastewater Separate Lien Obligations to be purchased by the Texas Water Development Board in the aggregate amount of $71,100,000 (see "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION - Future Capital Improvements for Water and Wastewater System" in this document). Outstanding Parity Water/Wastewater Obligations excludes $40,635,000 of principal to be paid on November 15, 2021.

(d) Excludes the amounts being refunded by the Bonds. See "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."

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

PRO FORMA DEBT SERVICE REQUIREMENTS OF THE COMBINED UTILITY SYSTEMS

CITY OF AUSTIN, TEXAS
Combined Utility System Obligations

			Separate Lien Water & Wastewater Obligations (a)							
			The Series 2021 Bonds		The Series 2021C, 2021D and 2021E Bonds (d)					
Fiscal Year Ending 9/30	Prior Subordinate Lien Obligations (b)	Existing Separate Lien Water & Wastewater Obligations (c)	Principal	Interest	Principal	Interest	Total Separate Lien Water & Wastewater Obligations (c)	Electric Utility System Parity Obligations (e)	Assumed MUD Obligations (f)	Total Debt Service Payable from Revenues of the Combined Utility Systems
2022	$ 20,964,250	$ 150,839,050	$ -	$ 4,992,924	$ -	$ 118,981	$ 155,950,955	$ 150,476,151	$ 663,681	$ 328,055,037
2023	19,950,225	173,466,102	-	10,155,100	2,610,000	240,006	186,471,208	141,914,553	666,568	349,002,555
2024	19,666,450	189,016,255	-	10,155,100	2,610,000	238,489	202,019,843	147,375,324	664,896	369,726,513
2025	15,834,863	183,910,017	4,665,000	10,038,475	2,610,000	236,461	201,459,953	151,228,124	668,673	369,191,612
2026	-	171,712,272	16,615,000	9,506,475	2,610,000	233,715	200,677,462	153,765,252	604,005	355,046,718
2027	-	165,987,944	22,490,000	8,528,850	2,615,000	229,984	199,851,778	165,718,653	-	365,570,431
2028	-	190,401,984	6,005,000	7,816,475	2,620,000	225,209	207,068,667	161,874,357	-	368,943,024
2029	-	173,942,405	6,320,000	7,508,350	2,620,000	219,395	190,610,149	155,138,454	-	345,748,603
2030	-	169,800,816	6,640,000	7,184,350	2,630,000	212,598	186,467,764	141,641,601	-	328,109,365
2031	-	131,650,193	6,980,000	6,843,850	2,635,000	204,876	148,313,919	141,466,710	-	289,780,629
2032	-	117,292,987	7,335,000	6,485,975	2,640,000	196,368	133,950,330	132,953,456	-	266,903,785
2033	-	117,321,243	7,720,000	6,109,600	2,650,000	186,418	133,987,261	93,636,445	-	227,623,706
2034	-	117,271,915	8,115,000	5,713,725	2,660,000	174,443	133,935,083	90,200,377	-	224,135,460
2035	-	117,085,118	8,525,000	5,297,725	2,670,000	161,031	133,738,874	90,042,064	-	223,780,938
2036	-	116,393,305	8,965,000	4,860,475	2,685,000	146,472	133,050,252	90,021,695	-	223,071,947
2037	-	114,307,604	9,375,000	4,448,850	2,700,000	130,701	130,962,155	89,787,337	-	220,749,492
2038	-	102,288,091	9,805,000	4,016,225	2,715,000	113,827	118,938,143	89,650,762	-	208,588,905
2039	-	92,216,466	10,260,000	3,565,900	2,730,000	96,353	108,868,719	88,415,444	-	197,284,163
2040	-	91,776,352	10,740,000	3,092,200	2,745,000	78,800	108,432,352	64,632,865	-	173,065,217
2041	-	79,327,613	11,225,000	2,599,200	2,765,000	60,678	95,977,491	64,493,755	-	160,471,245
2042	-	68,198,871	11,680,000	2,141,100	2,785,000	41,493	84,846,464	64,319,830	-	149,166,293
2043	-	67,110,638	3,440,000	1,821,500	1,770,000	31,069	74,173,207	61,704,919	-	135,878,126
2044	-	55,405,878	3,620,000	1,645,000	1,770,000	29,627	62,470,505	62,792,933	-	125,263,438
2045	-	31,144,482	3,805,000	1,459,375	1,770,000	27,653	38,206,510	62,412,945	-	100,619,455
2046	-	31,132,082	4,000,000	1,264,250	1,775,000	25,144	38,196,475	62,489,239	-	100,685,714
2047	-	19,618,904	4,205,000	1,059,125	1,775,000	22,009	26,680,038	33,372,937	-	60,052,975
2048	-	12,518,712	4,395,000	866,100	1,780,000	18,424	19,578,235	33,372,789	-	52,951,024
2049	-	12,522,923	4,575,000	686,700	1,780,000	14,655	19,579,277	33,380,615	-	52,959,892
2050	-	12,522,037	4,765,000	499,900	1,790,000	10,697	19,587,634	33,378,449	-	52,966,083
2051	-	11,996,346	4,955,000	305,500	1,790,000	6,549	19,053,395	15,042,892	-	34,096,287
2052	-	-	5,160,000	103,200	1,795,000	2,215	7,060,415	-	-	7,060,415
Total	$ 76,415,788	$ 3,088,178,603	$ 216,380,000	$ 140,771,574	$ 71,100,000	$ 3,734,334	$ 3,520,164,511	$ 2,866,700,927	$ 3,267,822	$ 6,466,549,049

(a) Separate Lien Water/Wastewater System Obligations are secured by and payable solely from Net Revenues of the Water and Wastewater System.
(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) Excludes debt service on the Refunded Bonds.
(d) Includes debt service on the City's planned November 17, 2021 closing of an aggregate $71.1 million of additional Parity Water/Wastewater System Obligations to be purchased by the Texas Water Development Board (see "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION - Future Capital Improvements for Water and Wastewater System" in this document).
(e) Parity Electric Utility Obligations are secured by and payable from Net Revenues of the Electric Utility System.
(f) Assumed municipal utility district ("MUD") obligations 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 $67,600,000 in aggregate principal amount of Prior Subordinate Lien Obligations outstanding, with the final maturity of the outstanding Prior Subordinate Lien Obligations occurring on May 15, 2025. 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. The encumbrances treated as Parity Water/Wastewater Obligations include the obligations incurred by the City under a credit agreement executed in support of bonds issued as Parity Water/Wastewater Obligations. See "SECURITY FOR THE BONDS - Credit Agreement – 2008 Variable Rate Bonds" in this document. The Master Ordinance and the Thirty-Eighth 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 a 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 2021 was 5.7% and is anticipated to be 5.7% for federal fiscal year 2022.** 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 change in the sequestration rate from 5.9% in federal fiscal year 2019 to 5.7% in federal fiscal year 2020 resulted in an increase in such interest subsidy payment for the Taxable Series 2010B Bonds to 33.005% from 32.935%. 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 Thirty-Eighth 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 2008, Series 2010, Series 2010B (Direct Subsidy – Build America Bonds), any unrefunded maturities of Series 2011 and Series 2012.

Additionally, since 2016, certain Parity Water/Wastewater Obligations have been issued as direct placement bonds purchased by 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, 2021, the City anticipates closing on approximately $71.1 million of three additional series of Parity Water/Wastewater Obligations to be purchased by the TWDB. These privately placed loans 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 $7,714,862 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 – Refunded Bonds" in this document). The Required Reserve Amount after giving effect to the refunding of the Refunded Bonds is approximately $14,540,784 and will be funded 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 September 30, 2021, the amount on deposit to the credit of the common Reserve Fund securing the Prior Subordinate Lien Obligations under the Master Ordinance is $23,246,587 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 are being 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 Agreement – 2008 Variable Rate Bonds

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 City has outstanding one 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.

In conjunction with the delivery of the City of Austin, Texas Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008, issued in the aggregate principal amount of $170,605,000 (the "2008 Variable Rate Bonds"), and delivered on May 15, 2008, and pursuant to a fifteenth supplemental ordinance to the Master Ordinance, the City entered into an Interest Rate Management Agreement (the "2008 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. Payments under the 2008 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 2008 Swap Agreement. The City entered into the 2008 Swap Agreement in conjunction with the issuance of the 2008 Variable Rate Bonds in order 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 2008 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 2008 Swap Agreement. As of August 31, 2021, the net aggregate monthly payments the City has made under the 2008 Swap Agreement equal $140,408,357.38. As of August 31, 2021, the mark-to-market value of the termination payment under the terms of the 2008 Swap Agreement was a negative $15,629,997.53 million.

If either party to the 2008 Swap Agreement commits an event of default, suffers a reduction in creditworthiness, or merges with a materially weaker entity, or in certain other circumstances, the 2008 Swap Agreement may be terminated at the option of the other party. Accordingly, no assurance can be given that the 2008 Swap Agreement will continue in existence until May 2031. If the 2008 Swap Agreement is terminated, then current market conditions will determine whether the City will owe a termination payment to Goldman or be entitled to receive a termination payment from Goldman. Such termination payment generally would be based on the market value of the 2008 Swap Agreement on the date of termination and could be substantial. In addition, a partial termination of the 2008 Swap Agreement could occur to the extent any 2008 Variable Rate Bonds are redeemed pursuant to the City exercising its right to effect an optional redemption of 2008 Variable Rate Bonds. If such optional redemption were to occur, termination payments related to the portion of the 2008 Swap Agreement to be terminated will be owed by either the City or Goldman, depending on the existing market conditions. The obligation of the City to pay a termination payment to Goldman could result in the City issuing Parity Water/Wastewater Obligations or Subordinated Debt to enable the City to make such a termination payment.

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" in this document. 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 in this document) 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, expires in accordance with its terms on September 30, 2022. 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 its terms on September 30, 2022. 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.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated September 27, 2021 (the "Dated Date"). Interest on the Bonds will accrue from the date of their initial delivery to the Underwriters (the "Date of Initial Delivery") and will be payable on May 15, 2022, and each November 15 and May 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, 2031, 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, 2046 and November 15, 2051, 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, 2046		4.000% Term Bond due November 15, 2051	
Year	Principal Amount	Year	Principal Amount
2042	$3,440,000	2047	$4,395,000
2043	3,620,000	2048	4,575,000
2044	3,805,000	2049	4,765,000
2045	4,000,000	2050	4,955,000
2046†	4,205,000	2051†	5,160,000

†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; (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; or (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of acquisition by the City are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. 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.

In connection with the sale of the Bonds, the City has warranted that it will not defease the Bonds with obligations described in clause (iii) of the term Government Obligations.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is U.S. Bank 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 Thirty-Eighth 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 Thirty-Eighth 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 Thirty-Eighth 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 Thirty-Eighth Supplement, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, Texas Government Code ("Chapter 1371"), 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 Thirty-Eighth 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 Thirty-Eighth 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" 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, 2020, the Electric Utility System had approximately 1,813 full-time regular employees and the Water and Wastewater Utility had approximately 1,236 full-time regular employees.

THE WATER AND WASTEWATER SYSTEM

Management

Name	Years at City*	Additional Years of Experience	Total
Director			
Greg Meszaros	14	22	36
Assistant Directors			
Anna Bryan-Borja, CIA, *Business Services*	24	3	27
Rick Coronado, P.E., *Operations*	26	-	26
Kevin Critendon, P.E., *Environmental Planning and Development Service*	10	27	37
Joseph Gonzales, CPA, *Financial Services (**)*	18	9	27
Randi Jenkins, *Customer Experience*	15	8	19
Shay Roalson, P.E., *Engineering Services*	1.5	27	28.5
Steve Hutton, Interim CIO, *Information Technology Services*	24	10	34

*As of August 31, 2021.
** 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 TCEQ is empowered to grant utilities a certificate of convenience and necessity 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. 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)*:

1988 – 834,000 Acre-Feet	1999 – 803,240 Acre-Feet	2010 – 798,500 Acre-Feet
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 – 389,000 Acre-Feet

* Data from 1988 to 2020 is referenced from USGS Water-Year Summary Statistics.

From 1988-2020, the average flow was 1,090,000 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-l"). 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 and 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 Commercial Paper Obligations.

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 has 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.

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.

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

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.

		Total Storage Capacity (Millions of Gallons)	Firm Pumping Capacity (Gallons per Minute)
North System			
	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
South System			
	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.

Historical Water Pumpage

The following table summarizes historical demand and maximum day water pumpage from fiscal years 2011 through 2020.

Fiscal Year	Total Pumpage (Millions of Gallons)	Percent Change	Maximum Day Pumpage (Millions of Gallons)
2011	52,824	20.5%	231
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	48,518	2.4%	203
2019	47,294	(2.5)%	209
2020	51,121	8.1%	215

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.

Fiscal Year	Total Pumpage (Millions of Gallons)	Maximum Day Pumpage (Millions of Gallons)
2021	52,272	219
2022	51,256	215
2023	51,720	216
2024	52,190	218
2025	52,664	220
2026	53,142	222

Source: Austin Water.

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

Information Concerning Water Sales

	Fiscal Year Ended September 30									
	2016		2017		2018		2019		2020	
	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons	Average # of Customers	Thousand Gallons
Thousand Gallons Pumped		44,687,336		47,312,289		48,520,957		47,294,234		51,153,795
Less: Sales to Other Water Utilities (1)		2,487,912		2,665,026		2,621,961		2,333,519		2,533,085
Thousand Gallons to System		42,199,424		44,647,263		45,898,996		44,960,715		48,620,710
Water Sales:										
Retail (2)	224,956	36,657,742	228,332	37,902,093	232,324	38,143,134	236,249	37,015,036	240,859	39,246,347
City Departments	610	598,089	619	601,601	621	678,923	609	665,816	601	659,012
Total Sales to Ultimate Consumer	225,566	37,255,831	228,951	38,503,694	232,945	38,822,057	236,858	37,680,852	241,460	39,905,359
Used by Water Utility		58,291		54,528		41,248		62,370		60,010
Other Unmetered Usage		1,313,808		1,390,981		1,412,287		1,390,450		1,503,922
Loss and Unaccounted For		3,571,494		4,698,060		5,139,404		5,827,043		7,151,419
Thousand Gallons to System		42,199,424		44,647,263		45,414,996		44,960,715		48,620,710
Maximum Daily Consumption		197,568		203,834		195,902		207,824		207,051
Average Daily Consumption		108,887		112,791		113,545		109,628		116,270

(1) Includes sales to all wholesale customers.
(2) Includes residential, multifamily, commercial, and industrial customers.
Source: Austin Water.

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

Large Water Customers

Water and Wastewater Utility
Large Water Customers (1)
Five Year Comparative Data (2016-2020)

	Fiscal Year Ended September 30 (Gallons and Dollars in Thousands)									
	2016		2017		2018		2019		2020	
	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue
Samsung Austin Semiconductor	1,975,811	$12,601	2,184,016	$14,627	2,317,298	$13,913	2,263,875	$11,016	2,381,854	$13,071
Travis County WCID #10	774,588	2,569	822,205	2,125	839,323	2,775	732,154	4,391	857,011	2,823
NXP USA INC (Formerly Freescale, Inc.)(2)	676,043	4,235	529,506	4,164	610,488	3,770	647,122	3,152	638,932	3,739
University of Texas (3)	805,549	6,046	804,756	6,296	777,696	5,158	728,455	2,003	600,813	3,954
Wells Branch MUD	464,228	1,452	480,115	1,231	483,764	1,520	414,951	1,082	464,917	1,467
North Austin MUD #1	394,365	1,306	425,839	1,170	416,336	1,347	373,305	1,026	404,437	1,314
Cypress Semiconductor (Formerly Spansion)	304,672	1,996	319,139	2,123	329,873	2,483	299,131	2,227	348,349	2,088
Northtown MUD	287,294	891	290,888	695	296,842	916	270,556	701	307,718	945
Austin Independent School District (4)	318,036	2,615	340,342	2,795	343,591	2,119	313,089	1,627	242,568	1,907
Mid America Apartments LP (5)	-	-	141,145	939	185,075	1,037	204,572	1,083	234,555	1,226
Total:	6,000,586	33,711	6,337,951	36,165	6,600,286	35,038	6,247,210	28,308	6,481,154	32,534
Texas Facilities Commission (6)	224,909	$1,642	229,063	$1,695	193,194	$1,343	176,940	$1,205	182,299	$1,246

(1) Reflects the ten largest water customers from the most recent fiscal year; previous fiscal years' totals are based on the current list of ten largest customers.
(2) Includes east Austin and west Austin plant sites.
(3) Includes all accounts.
(4) Includes all locations.
(5) 2019 was the first year that Mid America Apartments LP was a top 10 customer; 2017 is the first year data was collected.
(6) The Texas Facilities Commission was not a top 10 water customer in 2019 and 2020; totals for the Texas Facilities Commission include all locations and data as a top 10 water user from 2016-2018.

Source: Austin Water.

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

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 Manor, Rollingwood, Sunset Valley, and West Lake Hills.

Facilities

Austin Water has two main wastewater treatment plants with a total permitted capacity of 150 mgd, one biosolids treatment and beneficial reuse facility, over 2,948 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 on 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 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 Brushy Creek watershed. The cities of Austin, Round Rock, Leander and Cedar Park all own joint interests in the wastewater system. 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.

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

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.

Name	Firm Capacity (Gallons per Minute)
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 2011 through 2020.

Fiscal Year	Total Wastewater Flow (Millions of Gallons)	Percent Change
2011	32,946	(11.6)
2012	37,756	14.6
2013	34,813	(7.8)
2014	37,298	7.1
2015	40,711	9.2
2016	41,676	2.4
2017	37,804	(9.3)
2018	35,996	(4.8)
2019	42,176	17.2
2020(1)	36,127	(14.3)

Source: Austin Water.

(1) 2020 water pumpage was higher than 2019 (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.

Fiscal Year	Total Wastewater Flow (Millions of Gallons)
2021	41,348
2022	42,056
2023	42,774
2024	43,573
2025	44,500
2026	44,858

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 LR 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

Austin Water's proposed FY 2022-2026 capital spending plan requires approximately $1,087.9 million 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 $485 million additional Parity Water/Wastewater Obligations (including refunding of commercial paper issued to provide interim financing for such improvements); (2) the application of $356 million of anticipated transfers from current Water and Wastewater System revenues and amounts on hand; and (3) an estimated $244 million in low-interest loan assistance from the Texas Water Development Board (the "TWDB"). **Concurrent with the delivery of the Bonds, the City anticipates issuing an aggregate par amount of $71.1 million of Parity Water/Wastewater Obligations – to be issued as three separate low-interest loans through the TWDB – which are each anticipated to close on or about November 17, 2021.**

TWDB SWIFT Program 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 November 2021 issuance of $18.0 million of Series 2021C Bonds (additional Parity Water/Wastewater Obligations), which is scheduled to close on or about November 17, 2021, will be financed through the TWDB's SWIFT program.**

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 2020A Bonds and Series 2020B Bonds). The second round of loan closings occurred early this year in January 2021 for the combined amount of $19.8 million (series designations 2021A Bonds and 2021B Bonds). **The City's anticipated November 2021 issuance of Series 2021D (CWSRF) and Series 2021E (DWSRF) Bonds (also additional Parity Water/Wastewater Obligations in a combined par amount of $53.1 million) are scheduled to close on or about November 17, 2021 and will be financed through the TWDB's SRF program.**

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 has implemented a 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 152 metered customers.

Customer demand is highly dependent on weather conditions. In calendar year 2020, customers used 1.55 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.

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 has 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 September 30, 2021, the balance of the Water Revenue Stability Reserve Fund was $52.8 million (unaudited) 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.

As the financial position of the Water and Wastewater Utility continues to improve, the Water and Wastewater Utility implemented a 4.8% combined rate reduction for the fiscal year ending September 30, 2018. Additionally, in its efforts to maintain level debt service costs, the Water and Wastewater Utility 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 $199.5 million in net present value savings in the last three fiscal years. As a result of continued debt management efforts, the Water and Wastewater Utility implemented a zero-percent rate increase for FY 2018-2019 for the first time in several years.

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 will provide for at least 1.5 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 2022 budget prepared by the Water and Wastewater Utility in May 2021 projects debt service coverage levels in fiscal year 2021 of 1.63 times debt service coverage, increasing to 1.82 times debt service coverage by fiscal year 2022; the forecasted coverage levels assume that rate increases will be implemented at various times during the forecast period. No assurance can be given that these debt service coverage levels will be achieved.

On April 9, 2020 and 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, 2020. The CAP customer 10% rate reduction will remain in effect throughout FY 2021 and FY 2022 (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 for the 2021 fiscal year, a zero-percent rate increase was approved for a majority of the retail customer rates except for non-CAP rates, which will return to pre-COVID 19 rates. Any rate increase approved by City Council as part of the fiscal year 2022 approved budget will not take effect prior to November 1, 2021. 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.

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.
- 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 update financial policies for fiscal year 2022, AW continues to maintain higher internal targets for budgeting purposes of a 1.85x debt service coverage ratio and 245 days operating cash reserves.

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

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

Water Service Rates (Effective as of November 1, 2020)

Monthly Customer Charges

Customer Account Charge	Meter Size	Retail Equivalent Meter Charge per Month (1)	Multifamily Charge per Month (2)	Commercial Charge per Month (2)
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

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

	Wholesale per 1,000 Gals. (5)
Community Benefit Charge	$0.15

Residential Monthly Tiered Minimum Charge	Min. Charge per Month (4)
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	Min. Charge per Month (2)
NXP - Ed Bluestein (formerly Freescale)	$29,250.00
NXP - W. William Cannon (formerly Freescale)	21,400.00
Samsung	121,100.00
Skorpios (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)

	Charge per 1,000 Gals.
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	4.53
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
Skorpios (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 $3.89 and $5.68 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, 2020)

Customer Account Charge

	Retail Customers	Wholesale Customers
Customer Account Charge ($/month)	$10.30	$10.30

Community Benefit Charge

Charge per 1,000 Gallons (3)
$0.15

Volume Unit Charge (1)

	Unit Cost per 1,000 Gallons (2)
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, 2020 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 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 a number of 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 a number 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.

	Water	Wastewater	Total
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, 15th 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.

	Water	Wastewater	Total
All Areas	$5,400	$2,200	$7,600

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

	Water	Wastewater	Total
All Areas	$4,700	$2,500	$7,200

Analysis of Water Bills

	Fiscal Year Ended September 30				
	2016	2017	2018	2019	2020
Average Monthly Bill Per Customer - Water					
Residential (1)	$46.60	$50.41	$49.83	$43.67	$49.92
Multifamily (1)	946.79	882.93	766.84	704.57	756.41
Commercial (1)	369.49	400.44	359.50	320.16	321.18
Large Volume	306,025.68	335,060.66	317,821.74	297,756.97	293,838.57
City Departments	653.55	660.28	653.60	612.03	513.13
Average Monthly Bill – Above Customers	$104.61	$109.90	$101.95	$90.88	$97.34
Sales to Other Water Utilities (2)	$44,412.60	$47,174.74	$47,910.10	$42,926.88	$48,396.20
Average Monthly Bill – All Customers	$107.95	$113.39	$105.44	$93.96	$100.74
Average Monthly Use in 1,000 Gallons – Water					
Residential (1)	5.78	5.86	5.84	5.24	5.98
Multifamily (1)	135.75	124.12	127.55	123.67	134.81
Commercial (1)	47.27	50.64	49.77	46.64	49.22
Large Volume	48,701.32	51,286.38	51,997.13	52,294.19	51,816.62
City Departments	82.47	81.16	91.59	89.69	94.03
Average Monthly Use – Above Customers	13.86	14.01	13.96	13.03	14.14
Sales to Other Water Utilities (2)	12,092.58	13,046.12	12,930.25	11,264.47	12,768.25
Average Monthly Use – All Customers	14.77	14.98	14.90	13.84	15.04
Average Revenue Per 1,000 Gallons – Water					
Residential (1)	$8.07	$8.60	$8.54	$8.33	$8.35
Multifamily (1)	6.97	7.11	6.01	5.70	5.61
Commercial (1)	7.82	7.91	7.22	6.86	6.52
Large Volume	6.28	6.53	6.11	5.69	5.67
City Departments	7.92	8.14	7.14	6.82	5.46
Average Revenue – Above Customers	$7.55	$7.84	$7.30	$6.97	$6.88
Sales to Other Water Utilities (2)	$3.67	$3.62	$3.71	$3.81	$3.79
Average Revenue – All Customers	$7.31	$7.57	$7.08	$6.79	$6.70

(1) Inside and Outside City-limit customers combined.
(2) Includes all Wholesale customers.
Source: Austin Water.

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

Analysis of Wastewater Bills

	Fiscal Year Ended September 30				
	2016	2017	2018	2019	2020
Average Monthly Bill Per Customer – Wastewater					
Residential (1)	$ 38.63	$ 40.02	$ 38.41	$ 35.34	$ 35.29
Multifamily (1)	1,237.57	1,209.90	1,175.46	1,135.09	1,268.46
Commercial (1)	411.21	457.33	431.66	413.43	335.48
Large Volume	273,628.93	299.070.91	330,416.09	299,193.33	295,026.24
City Departments	361.80	522.17	446.47	383.47	359.36
Average Monthly Bill – Above Customers	$ 96.03	$ 100.28	$ 96.14	$ 89.63	$ 88.01
Sales to Other Utilities (2)	$47,413.06	$49,785.58	$52,040.32	$54,713.65	$53,992.98
Average Monthly Bill – All Customers	$98.48	$102.81	$98.74	$92.32	$110.91
Average Monthly Use in 1,000 Gallons – Wastewater					
Residential (1)	$ 3.87	$ 3.84	$ 3.79	$ 3.53	$ 3.68
Multifamily (1)	133.96	126.89	126.62	125.95	140.64
Commercial (1)	43.52	47.06	45.77	45.04	36.40
Large Volume	33,944.97	35,456.50	40,110.14	37,394.54	39,603.01
City Departments	36.50	51.26	47.40	41.70	40.15
Average Monthly Use – Above Customers	$ 10.17	$ 10.25	$ 10.12	$ 9.65	$ 9.68
Sales to Other Utilities (2)	$ 9,749.92	$ 10,391.34	$ 10,174.46	$ 9,934.19	$ 9,659.09
Average Monthly Use – All Customers	$ 10.68	$ 10.78	$ 10.62	$ 10.14	$ 10.15
Average Revenue Per 1,000 Gallons – Wastewater					
Residential (1)	$9.97	$10.43	$10.14	$10.01	$9.60
Multifamily (1)	9.24	9.53	9.28	9.01	9.02
Commercial (1)	9.45	9.72	9.43	9.18	9.22
Large Volume	8.06	8.43	8.24	8.00	7.45
City Departments	9.91	10.19	9.42	9.20	8.95
Average Revenue – Above Customers	$9.44	$9.79	$9.50	$9.29	$9.09
Sales to Other Utilities (2)	$4.86	$4.79	$5.11	$5.51	$5.59
Average Revenue – All Customers	$9.22	$9.54	$9.29	$9.10	$10.93

(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, 2021)

	Years at City	Additional Years of Experience	Total
General Manager			
Jacqueline Sargent, PE	6	26	32
Deputy General Managers			
Sidney Jackson, *Chief Operating Officer*	0.6	35	35
Mark Dombroski, *Chief Financial and Administrative Officer*	7	24	31
Kerry Overton, *Chief Customer Officer*	20	11	31
Senior Vice President			
Tammy Cooper, *Chief Communications & Compliance Officer*	1	23	24
Vice Presidents			
Erika Bierschbach, *Market Operations and Resource Planning*	20	7	27
Gerardo Galvan, *Customer Care Services*	4	15	19
Elaine Veselka, *Customer Account Management*	12	12	24
Richard Génecé, *Customer Energy Solutions*	0	27	27
William Sweeney, *Power Production*	29	4	33
Elton Richards, *Electric System Field Operations*	2	40	42
Thomas Pierpoint, *Electric Systems Engineer and Technical Services*	2	39	41
Russell Maenius, *Finance (Interim)*	21	16	37
Greg Flay, *Technology & Data (Interim)*	5	25	30

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.

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

Customer Base – Average Monthly Number of Customers

For the 12-Month Period ended September 30, 2020	Average Monthly Number of Customers	Percent
Residential	454,616	89.55
Commercial	50,135	9.88
Industrial	115	0.02
Public Street & Highway	9	0.00
Governmental Authorities	2,785	0.55
Total Service Area Customers	507,660	100.00

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.

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

Generation Facilities

As of September 1, 2021, generation facilities wholly or partially owned by Austin Energy and in operation are as follows.

Unit	Year Installed	Nameplate Rating (MW)	Fuel
Fayette Power Project			
Unit No. 1	1979	285.0	Coal
Unit No. 2	1980	285.0	Coal
Decker Power Station			
Unit No. 2 (3)	1977	405.0	Gas
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	115.0	Biomass
Total Capacity owned by Austin Energy		2,264.6	
Purchased Power (1)(2):			
Skyline Renewables 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	170.0	Wind
Duke Energy East Blackland Solar Project 1 LLC	2021	144.0	Solar
ENGIE 2019 ProjectCo-Tx1 LLC	2021	1.8	Solar
Total Capacity from Purchased Power		2,586.9	
Total Capacity including Purchased Power		4,851.5	

(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.
(3) Austin Energy intends to seek approval and cease operations at Decker 2 following the winter 2021/2022 season.
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.

	Percentage Net Load (*) As of September 30				
Fuel Type	2016	2017	2018	2019	2020
Coal	23.1%	29.2%	29.4%	26.5%	18.7%
Natural Gas	16.5	13.2	18.7	15.6	16.6
Nuclear	24.6	24.2	25.2	25.1	24.6
Renewable Energy	29.7	35.9	37.5	38.3	41.6
Net Market Purchases/(Sales)	6.1	(2.5)	(10.8)	(5.5)	(1.5)
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 60 days as of September 28, 2021.

Natural Gas . . . Austin Energy utilizes a portfolio of gas contracts and multiple pipelines in an effort 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 two large steam-boiler units, Decker 1 and Decker 2, placed in service in 1970 and 1977, respectively. In line with the Resource, Generation and Climate Protection Plan to 2030, Austin Energy received regulatory approval effective October 31, 2020 for the suspension of operations at Decker Unit 1. Decker 1 was subsequently retired in 2020. Decker 2 has a generating capacity of 415 megawatts. The plant also includes 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. Austin Energy intends to seek approval and cease operations at Decker 2 following the winter 2021/2022 season.

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)	
	%	MW (Approximate)
NRG Energy ("NRG")	44.0	1,188
CPS Energy (City of San Antonio)	40.0	1,080
City of Austin – Austin Energy	16.0	432
	100.0	2,700

(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. A press release from NINA at the time of the license issuance stated "NINA plans to hold these licenses until market economics support construction."

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"), and the Mueller Redevelopment Zone ("Mueller"). The DEC Program currently has 70 customers with over 22 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 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 19 MW shift and is projected to reach 40 MW by 2030.

Austin Energy entered into a 30-year contract with Austin Community College ("ACC") on May 2, 2019 for 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. Once complete, the Highland Campus will consist of 1.3 million square feet on 81 acres.

Austin Energy is currently designing and intends to build a 6000-ton, unmanned Chilled Water Plant on the ACC Highland Campus. The plant will include all appurtenances associated with a chilled water plant, including pumps, chillers, plant controls, cooling towers, piping, and thermal energy storage. The project is scheduled for completion in Q4 of 2021.

Austin Energy recently completed its fourth downtown plant – DCP3 - a 10,000-ton plant located near the Seaholm redevelopment off 2nd Street and Lamar. District Cooling Plant #5 - DCP5 is currently in design and located within the Hobby garage as an expansion of the District Cooling Plant. The schedule for completion is estimated to be late 2024 or early 2025. It will provide 5,000 tons of additional cooling capacity to support growth of the downtown DEC Program.

Austin Energy is in the design phase of building a second chilled water plant at Mueller. The plant (Mueller Energy Center #2) will provide 6,000 tons of additional capacity (as well as thermal energy storage) to support the new Austin Energy headquarters, expansion of the Dell Children's Medical Center and other customers at Mueller.

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.

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. Austin Energy's financial policies require that its rates be reviewed at least every five years. 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 reaffirmed that future rate increases should not result in system average rates exceeding a 2% annual compounded growth rate that began October 2012 and that Austin Energy average system rates should remain in the lower 50% among Texas electric utilities. Council approved rates also include the below line item charges that will be reviewed and updated annually:

- Power Supply Adjustment ("PSA"): recovers dollar-for-dollar fuel and net power supply costs.
- Regulatory Charge: recovers dollar-for-dollar 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 Charge was modified to provide for a system-wide recovery mechanism rather than a rate class approach.
- 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 Streetlights ("SAL"): maintains and powers the streetlights and traffic signals in the City (outside-the-city customers are not assessed this fee). The SAL charge was also modified to reflect a system-wide recovery approach.
- Energy Efficiency Services ("EES"): funds energy efficiency programs. The EES Charge was also modified to reflect 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 an energy charge (tiered). Residential customers also pay the pass-through charges for PSA (fuel and other power supply costs), Regulatory Charge (primarily ERCOT transmission costs), and the Community Benefit Charge (low income programs, energy efficiency programs, and street light service).

Commercial rates: Commercial rates generally include a customer charge, demand and electric delivery charges (based on monthly peak demand), energy charges, and the pass-through charges for the PSA, Regulatory Charge, and the Community Benefit Charge (see "Residential Rates and Structure" above in this document).

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 charges for the PSA and the Regulatory Charge, and in some instances, all or part of the Community Benefit Charge. 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 customer that replaced their 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.

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

City	Monthly Electric Bill*
Dallas/Fort Worth	$ 98.99
Houston	104.41
Corpus Christi	109.44
Austin	**101.08**
San Antonio	107.14

* Average monthly residential bill for 1,000 KWh during the period October 2019 – September 2020, including fuel costs. Dallas, Houston, and Corpus Christi are served by competitive retail service providers ("REP"). Many REPs design their offerings around the 1,000 kWh standard, resulting in an atypically low rate at the 1,000 kWh level, compared to the 500 kWh or 2,000 kWh consumption levels. The PUCT discontinued its monthly "Residential and Commercial Bill Comparisons for Non-Competitive Markets" in February 2020; this survey was the source for El Paso data, previously provided.

Source: powertochoose.org.

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

AUSTIN ENERGY'S CUSTOMER STATISTICS

Five Year Electric Customer Statistics

The table below shows service area billed customer sales for fiscal years 2016 through 2020. 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, and changes in consumption patterns due to the COVID-19 pandemic.

	Fiscal Year Ended September 30				
	2016	2017	2018	2019	2020
Revenue (000's)					
Residential	$ 453,555	$ 460,644	$ 490,443	$ 496,643	$ 499,893
Commercial	484,162	476,618	465,363	484,138	453,953
Industrial	181,909	176,698	178,676	187,206	178,007
Public Street & Highway	2,679	2,734	2,636	2,788	2,450
Sales to Government Authorities	75,897	73,191	72,019	73,274	60,301
Total	$1,198,202	$1,189,885	$1,209,137	$1,244,049	$1,194,603
MWH					
Residential	4,258,275	4,360,743	4,608,438	4,522,859	4,740,214
Commercial	4,891,990	4,921,879	4,924,929	4,937,091	4,702,026
Industrial	2,817,055	2,820,344	2,968,235	2,962,835	3,003,001
Public Street & Highway	51,164	51,438	51,673	52,087	52,817
Sales to Government Authorities	862,343	855,887	864,734	854,147	824,112
Total	12,880,827	13,010,291	13,418,009	13,329,019	13,322,171
Average Monthly Number of Customers					
Residential	411,366	421,752	433,411	443,792	454,616
Commercial	47,352	48,285	48,966	49,587	50,135
Industrial	110	104	112	114	115
Public Street & Highway	7	6	4	4	9
Sales to Government Authorities	2,508	2,554	2,711	2,761	2,785
Total	461,343	472,701	485,204	496,258	507,660
Average Monthly KWH per Customer					
Residential	863	862	886	849	869
Commercial	8,609	8,495	8,382	8,297	7,816
Industrial	2,127,685	2,250,873	2,213,449	2,168,986	2,168,232
Public Street & Highway	609,091	695,102	1,076,528	1,108,227	517,816
Sales to Government Authorities	28,655	27,931	26,584	25,781	24,661
Average Monthly Bill per Customer					
Residential	$ 91.88	$ 91.02	$ 94.30	$93.26	$91.63
Commercial	852.07	822.58	791.98	813.61	754.55
Industrial	137,393.42	141,020.30	133,240.82	137,047.14	128,524.59
Public Street & Highway	31,891.33	36,947.02	54,922.30	59,312.68	24,024.08
Sales to Government Authorities	2,521.99	2,388.52	2,213.79	2,211.65	1,804.49
Average Revenues per KWH					
Residential	$0.10651	$0.10563	$0.10642	$0.10981	$0.10546
Commercial	0.09897	0.09684	0.09449	0.09806	0.09654
Industrial	0.06457	0.06265	0.06020	0.06318	0.05928
Public Street & Highway	0.05236	0.05315	0.05102	0.05352	0.04640
Sales to Government Authorities	0.08801	0.08552	0.08328	0.08579	0.07317

Source: Austin Energy.

[The remainder of this page is intentionally left blank]

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, 2020 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 will return 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 February 14, 2019, the PUCT approved the City's most recent wholesale transmission rate of $1.187214/kW. Transmission revenues totaled $84 million in fiscal year 2020 and are expected to total approximately $84 million in fiscal year 2021. 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 wind 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	
2011	698,703,263
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

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									
	2020		2019		2018		2017		2016	
	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh	Average Customers	kWh
Net kWh Generated		13,833,141,055		14,686,072,244		15,404,121,570		13,905,297,109		12,415,243,709
kWh Received from ERCOT		1,066,246,223		858,953,254		400,176,250		863,722,320		1,452,541,760
Less: kWh Delivered to ERCOT		(1,270,282,001)		(1,590,257,054)		(1,858,211,190)		(1,218,787,411)		(501,325,385)
				-						
Total kWh Delivered to Service Area		13,629,105,277		13,954,768,444		13,946,086,630		13,550,232,018		13,366,460,084
Service Area Energy Use:										
Residential	454,616	4,740,214,005	443,792	4,522,859,322	433,411	4,608,437,926	421,752	4,360,742,811	411,366	4,258,275,530
General Service (Less UT & ENW)	52,045	8,135,854,225	51,485	8,387,249,208	50,815	8,370,161,391	49,981	8,182,982,288	49,061	8,180,335,482
	506,661	12,876,068,230	495,277	12,910,108,530	484,226	12,978,599,317	471,733	12,543,725,099	460,427	12,438,611,012
Public Street Lighting	9	52,817,241	4	52,086,667	4	51,673,359	6	51,437,560	7	51,163,631
City Utility Departments (*)	294	281,553,057	294	252,419,089	295	264,127,365	297	288,204,138	276	268,278,325
Other City Departments (*)	696	111,732,472	683	114,404,714	679	112,841,653	665	110,543,607	633	110,274,454
	999	446,102,770	981	418,910,470	978	428,642,377	968	450,185,305	916	429,716,410
Total Service Area Sales	507,660	13,322,171,000	496,258	13,329,019,000	485,204	13,418,009,000	472,701	13,010,291,000	461,343	12,880,827,000
Loss and Unaccounted For		306,934,277		625,749,444		528,077,630		539,941,018		485,633,084
Total kWh Delivered to Service Area	507,660	13,629,105,277	496,258	13,954,768,444	485,204	13,946,086,630	472,701	13,550,232,018	461,343	13,366,460,084
System Peak Demand (kW)		2,810,000		2,810,000		2,878,000		2,654,000		2,755,000

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

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

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, 2020, $66 thousand in premiums was deferred. As of September 30, 2020, the fair value of Austin Energy's futures, options and swaps was an unrealized gain of $20 thousand, of which $76 thousand is reported as derivative instruments in liabilities and $96 thousand 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, 2020. 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 form 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 are expected to commence in the fourth quarter of 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, 2021 are as follows:

	Number of Substations	Miles of Lines	Kilovolts
Transmission	15	632	345/138/69
Distribution	62	12,030	35/12.5/7.2
Overhead Primary		2,407	
Overhead Secondary		2,606	
Underground Primary		3,532	
Underground Secondary		3,485	

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 2017, Austin Energy's Electric Systems Quality Management System was recommended for upgraded 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.

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 2021, addresses approximately $1.14 billion of capital spending needs from fiscal year 2022-2026. 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 53% of the five-year Capital Plan will be debt funded and 47% 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 downtown substation as well as the Cistern substation, the construction of Mueller Energy Center 2, and the purchase of Austin Energy's new warehouse.

Five Year Capital Spending Plan

$ in Millions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Distribution	$124.41	$114.05	$97.65	$101.93	$101.07	$539.11
Distribution Substation	$23.14	$10.50	$33.91	$11.02	$9.00	$87.57
Transmission	$56.57	$39.78	$59.88	$36.86	$36.3	$229.39
Total Electric Service Delivery	$204.12	$164.34	$191.44	$149.81	$146.37	$856.07
Power Production	$77.13	$42.59	$28.80	$18.24	$22.90	$189.66
Customer Service Billing & Metering	$.15	$.05	$.05	$.05	$.05	$.35
Facilities, Technology & Support Services	$38.55	$28.69	$8.18	$7.49	$6.64	$89.55
Total	$319.95	$235.67	$228.47	$175.59	$175.96	$1,135.63

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 532,000 AMI meters: 477,324 2-way communicating residential meters and 54,676 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.

In order 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 ("EUC") 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 in order 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 (FPP) 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.

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.

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 Reserve, 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 September 30, 2020, Austin Energy's operating cash balance was $402 million and Days Cash on Hand ("DCOH") was 222 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 Comprehensive Annual Financial Report ("CAFR").
- 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 CAFR.
- 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 August 31, 2021, the market value of the investments in the trust was $239.4 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%. Austin Energy emission of nitrogen oxide ("NOx") exceeded allocations in 2018 and 2019, resulting in the need to purchase excess allowances on the market. Allowance purchasing needs for 2021 (if any) have not been determined but are expected to be either not required or much lower with the retirement of Decker unit 1 in 2020.

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 Sectuib 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. Overall risk associated with this rule is believed to be 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 $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 $51.5 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 $2.147 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 September 30, 2021 was $240,597,687. For Fiscal Year 2021, Austin Energy estimates that it will continue to collect approximately $5 million for 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 in order 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.

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

COMPARATIVE ANALYSIS OF ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM OPERATIONS OCTOBER 1, 2015 TO SEPTEMBER 30, 2020

(in thousands rounded)

	Fiscal Year Ended September 30				
INCOME	2020	2019	2018	2017	2016
Revenue	$1,959,941	$2,031,435	$1,998,556	$1,974,948	$1,941,815
Operating Expense	(1,332,726)	(1,366,470)	(1,334,151)	(1,252,196)	(1,207,225)
Balance Available for Debt Service	627,215	664,965	664,405	722,752	734,590
Depreciation and Amortization Expense	(413,711)	(327,840)	(290,323)	(284,451)	(272,769)
Earnings Before Interest Expense	213,504	337,125	374,082	438,301	461,821
Interest Incurred on Debt	(154,451)	(148,596)	(148,659)	(163,851)	(168,956)
Other	2,728	(11,113)	(13,061)	(12,505)	(748)
INCOME (LOSS) BEFORE TRANSFERS (1) (2) (3) (4)	$61,781	$177,416	$212,362	$261,945	$ 292,117
PERCENTAGES					
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expense	(68.00%)	(67.27%)	(66.76%)	(63.40%)	(62.17%)
Balance Available for Debt Service	32.00%	32.73%	33.24%	36.60%	37.83%
Depreciation and Amortization Expense	(21.11%)	(16.14%)	(14.53%)	(14.40%)	(14.05%)
Earnings Before Interest Expense	10.89%	16.60%	18.72%	22.19%	23.78%
Interest Incurred on Debt	(7.88%)	(7.31%)	(7.44%)	(8.30%)	(8.70%)
Other	0.14%	(0.55%)	(0.65%)	(0.63%)	(0.04%)
INCOME (LOSS) BEFORE TRANSFERS	3.15%	8.73%	10.63%	13.26%	15.04%

(1) Income before transfers to the General Fund and Other Funds for the 12 months ended September 30, 2020. Transfers are as follows (in thousands rounded):

Transfer to General Fund	$158,486
Transfers to Other Funds	$13,182

(2) Excludes Combined Utility Funds' deferred costs recovered in future years of ($68,415) for the 12 months ended September 30, 2020 (in thousands rounded).

(3) Excludes capital contributions of $135,796 for the 12 months ended September 30, 2020 (in thousands rounded).

(4) Excludes other post-employment benefits ("OPEB") and net pension liability accruals. These amounts for the 12 months ended September 30, 2020 were $56,561 and $46,289, respectively (in thousands rounded).

Source: City Controller's Office.

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

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

	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
REVENUE					
ELECTRIC UTILITY					
Domestic and Rural Residential	$499,031	$499,861	$489,985	$456,576	$321,985
Commercial General	687,295	745,974	711,457	719,532	861,208
Sales to Other Utilities	30,354	47,092	50,482	44,331	42,119
Transmission	83,791	81,734	78,616	78,049	75,926
Rent from Electric Property	10,227	7,736	3,620	3,204	3,750
Customers' Forfeited Discounts and Penalties	2,611	5,540	5,966	5,424	6,352
Miscellaneous	$60,247	$59,362	$60,397	$55,016	$58,887
Total Electric Utility	$1,373,556	$1,447,299	$1,400,523	$1,362,132	$1,370,227
WATER UTILITY					
Water Services	288,337	275,095	290,868	312,491	290,646
Miscellaneous Revenue	12,162	8,444	6,528	5,458	2,607
Revenue Stability Fee	2,073	1,901	4,850	5,098	7,223
Reserve Fund Surcharge	-	-	-	-	-
Reclaimed Revenue	2,499	2,013	1,936	1,515	1,384
Total Water Utility	$305,071	$287,453	$304,182	$324,562	$301,860
WASTEWATER UTILITY					
Wastewater Services	256,298	258,349	265,798	271,715	257,161
Miscellaneous Revenue	4,756	5,769	5,086	2,803	2,813
Reclaimed Revenue	-	-	-	-	-
Total Wastewater Utility	$ 261,054	$ 264,118	$ 270,884	$274,518	$259,974
Interest	$20,260	$32,565	$22,967	$13,736	$9,754
TOTAL REVENUE	$1,959,941	$2,031,435	$1,998,556	$1,974,948	$1,941,815

Source: City Controller's Office.

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

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

EXPENSE	2020	2019	2018	2017	2016	
ELECTRIC UTILITY						
Production	$163,250	$208,231	$179,981	$173,860	$215,562	(3)
Joint Facility Production	199,734	189,141	218,373	162,343	162,166	(3)
System Control	19,007	21,490	26,454	19,423	19,371	
Transmission and Distribution	216,225	198,816	193,291	188,583	176,675	
Jobbing and Contract Work	2,098	2,222	1,625	1,207	1,207	
Customer Accounting and Collection	24,224	25,457	9,515	16,203	15,946	
Customer Services	23,817	24,948	27,435	28,928	25,521	
Administrative and General	418,311	435,161	427,253	428,057	373,320	
Total Electric Utility	$1,066,666	$1,105,466	$1,083,927	$1,018,604	$989,768	
WATER UTILITY						
Operations (1)	$73,672	$71,373	$68,108	-	-	
Treatment (1)	-	-	-	37,456	37,835	
Pipeline Operations (1)	-	-	-	26,547	23,795	
Engineering Services	4,853	5,572	4,512	3,876	3,296	
Water Resources Management	4,126	3,901	3,586	3,923	3,733	
Environmental Affairs & Conservation	9,411	7,496	7,780	7,264	7,880	
Support Services - Utility	15,794	21,899	14,168	12,571	11,444	
One Stop Shop	-	0	164	294	225	
Reclaimed Water Services	1,652	1,312	534	526	(2,989)	
Other Operating Expenses	33,980	27,580	31,814	31,290	31,577	
Total Water Utility	$143,488	$139,133	$130,666	$123,747	$116,796	
WASTEWATER UTILITY						
Operations (1)	$66,473	$65,585	$62,412	-	-	
Treatment (1)	-	-	-	40,911	38,544	
Pipeline Operations	-	-	-	18,825	17,048	
Engineering Services	8,030	6,936	7,200	6,317	5,263	
Water Resources Management	4,786	4,673	4,427	4,526	4,150	
Environmental Affairs & Conservation	3,098	3,013	3,088	2,819	2,925	
Support Services - Utility	15,789	21,791	13,767	12,821	11,454	
One Stop Shop	-	-	-	441	361	
Other Operating Expenses	24,396	19,873	28,664	23,185	20,916	
Total Wastewater Utility	$ 122,572	$ 121,871	$ 119,558	$ 109,845	$ 100,661	
TOTAL EXPENSE (2)	$ 1,332,736	$ 1,366,470	$1,334,151	$1,252,196	$1,207,225	
NET REVENUE AVAILABLE FOR DEBT SERVICE	$627,215	$664,965	$ 664,405	$ 722,752	$ 734,590	
Electric Customers	507,660	496,258	485,204	472,701	469,534	
Water Customers	243,820	239,291	235,174	231,014	227,432	
Wastewater Customers	230,127	225,940	221,862	217,794	214,373	

(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 Controller's Office.

DISCUSSION OF OPERATING STATEMENT

Austin Energy Revenues

Variations in total Austin Energy revenues for the fiscal years ("FY") ended September 30, 2016 through September 30, 2020 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 2016 through FY 2020 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 2016 through FY 2020 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 2016 through FY 2020 were primarily attributable to inflationary increases in the cost of power and chemicals, along with system growth.

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

The Electric Utility System and Water and Wastewater System (000's)

	2020	2019	2018	2017	2016
Plant Cost					
Utility Systems					
Electric	$6,418,934	$6,179,413	$5,574,059	$5,428,545	$5,288,802
Water	3,077,482	2,983,187	2,903,016	2,817,554	2,736,990
Wastewater	2,812,618	2,698,343	2,616,571	2,529,448	2,416,799
Total Cost	$12,309,034	$11,860,943	$11,093,646	$10,775,547	$10,442,591
Allowance for Depreciation:					
Electric	3,451,096	3,175,348	2,978,260	2,827,731	2,678,849
Water	985,972	926,457	869,971	811,230	752,394
Wastewater	1,187,002	1,123,127	1,060,395	996,455	935,782
Total Depreciation	$5,624,070	$5,224,932	$4,908,626	$4,635,416	$4,367,025
Cost after Depreciation	$6,684,964	$6,636,011	$6,185,020	$6,140,131	$6,075,566
Equity in Utility Systems					
Utility Systems	12,309,034	11,860,943	$11,093,646	$10,775,547	$10,442,591
Plus: Inventories, Materials and Supplies (1)	69,575	66,269	55,025	53,528	55,187
Net Construction Assets and Unamortized Bond Issue Cost	141,133	148,739	109,641	104,331	114,533
	$12,519,742	$12,075,951	$11,258,312	$10,993,406	$10,612,311
Less:					
Allowance for Depreciation	$5,624,070	$5,224,932	$4,908,626	$4,635,416	$4,367,025
Utility Systems, Net	$6,895,672	$6,851,019	$6,349,686	$6,297,990	$6,245,285
Revenue Bonds and Other Debt Outstanding (2)	$4,537,293	$4,487,193	$3,979,273	$4,011,156	$4,014,446
Net Debt	$4,537,293	$4,487,193	$3,979,273	$4,011,156	$4,014,446
Equity in Utility Systems	$2,358,379	$2,363,826	$2,370,413	$2,286,834	$2,230,840
Percentage of Equity in Utility Systems	34.20%	34.50%	37.33%	36.31%	35.72%

(1) Does not include fuel, oil or coal inventories of approximately $30,837 million at September 30, 2020. Consists primarily of spare parts inventory at Fayette Plant and South Texas Project.

(2) Includes Revenue Bonds and Tax and Revenue Bonds of $4,166,548 (net of discounts and inclusive of premiums); Capital Lease Obligations of $819; Commercial Paper of $366,480; General Obligation Bonds of $2,148; and Contractual Obligation Bonds of $1,298.

Source: City Controller's Office

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 Electric Utility System has been served in several property damage lawsuits and one wrongful death lawsuit, as well as several notices of subrogation from insurers, relating to outages caused by the 2021 Weather Event that affected the ERCOT system. See "TEXAS 2021 WINTER WEATHER EVENT" in this document.

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

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.

Interim Deputy City Manager – Anne Morgan

Ms. Anne Morgan was appointed Interim Deputy City Manager on May 10, 2021. She oversees the City's strategic outcome "Government that Works for All." See "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY – General Information" in this document. Ms. Morgan is a lawyer and joined the City in 2004 as the Chief of Litigation. She was promoted to Deputy City Attorney in 2011 and the City Manager appointed her to be the City Attorney in 2015. Before joining the City, Ms. Morgan worked in the Texas Attorney General's office as an Assistant Attorney General and then the Deputy Division Chief of Tort Litigation. While there she represented numerous state entities including all of the state university teaching hospitals and their physicians. Ms. Morgan has had her own law firm that specialized in medical malpractice and mediation, and she began her career in Washington D.C. representing federal employees. Ms. Morgan is a graduate of Phillips Exeter Academy, the University of Texas, and the Washington College of Law at American University in Washington, D.C. She has received both the Pathfinder Award and the Government Service Award from the Travis County Women Lawyers Association, served as a volunteer mediator for the Travis County Bar Association, and served on the boards for Goodwill Industries of Central Texas, Reading is Fundamental, and Austin Groups for the Elderly.

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 Austin Police Financial Services, Budget Office, Capital Contracting Office, Controllers Office, Office of Performance Management, Office of Real Estate, Office of Telecommunication & Regulatory Affairs, Purchasing Office, and Treasury Office. 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 Controller's Office, the Office of Telecommunications and Regulatory Affairs, Austin Police Financial Services, and the Financial Services Department's IT division. 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 Treasury, strategic facility delivery (P3s), tax increment reinvestment zone (TIRZ) and public improvement district (PID) financing, and Financial Services Department administrative staff. 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.

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

Annexations

The following table sets forth (in acres) the City's annual annexations since 2011.

Calendar Year	Full Purpose Acres (1)	Limited Purpose Acres
2011	726	0
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(2)	0

(1) Includes acres converted from limited purpose to full purpose status.
(2) Includes annexations anticipated to be completed by 12/31/2021.

Recent Annexation

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 will become 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, respectively.

As of October 1, 2020, municipal employees contribute 8.0% and the City contributes 18.0% of payroll to the COAERS, however, effective January 1, 2021, the City's contribution to the COAERS increased to 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. Police officers contribute 13.0% and the City contributes 21.737% of payroll to the Police Retirement System. 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, 2020, the amortization period of the unfunded actuarial accrued liability was 32 years for the COAERS, 30 years for the Police Retirement System, and 23.3 years for the Fire Fighters Retirement Fund.

The City's net pension liability was measured as of December 31, 2020 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 in order to address long-term structural imbalances in the plan.

As of December 31, 2020, the COAERS reported a total net pension liability of $1.5 billion, of which $307.5 million is allocable to Austin Energy, $161 million is allocable to Austin Water, and $61.1 million is allocable to Aviation. The COAERS' fiduciary net position as a percentage of the total pension liability was 68.1%. The actuarial accrued liability for the COAERS as of December 31, 2020 was $4.7 billion and the funded ratio was 65.3%. As of December 31, 2019, the COAERS reported a net pension liability of $1.6 billion with a plan fiduciary net position as a percentage of the total pension liability of 65.2%. The actuarial accrued liability for the COAERS was $4.5 billion and the funded ratio was 63.5%. The COAERS had no changes of assumptions or benefit terms that affected the total pension liability for the 2020 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 32 years, a decrease from the 40-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 and a reduction in the pension multiplier. The City intends to explore 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 on legislation that 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 are 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 proposed FY 2021-22 budget includes an additional $6 million to begin funding the additional City contributions.

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 highest months of salary 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.

As of December 31, 2020, the Police Retirement System reported a net pension liability of $605.9 million for the 2020 plan year, which is a decrease from the $1.3 billion net pension liability reported for the prior 2019 plan year. The fiduciary net position as a percentage of the total pension liability increased to 60.8% for the 2020 plan year from 39.4% 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, 2020 was $1.54 billion and the funded ratio was 58.6%. The actuarial accrued liability for the Police Retirement System as of December 31, 2019 was $1.46 billion and the funded ratio was 58.4%.

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.

The Fire Fighters Retirement Fund, as of December 31, 2020, reported a net pension liability of $70.4 million, with a 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 was $1.23 billion and the funded ratio was 87.5%. As of December 31, 2019, the Fire Fighters Retirement Fund reported a net pension liability of $126.1 million and plan fiduciary net position as a percentage of the total pension liability of 89.1%. The actuarial accrued liability for the Fire Fighters Retirement Fund as of December 31, 2019 was $1.15 billion and the funded ratio was 86.8%.

The Fire Fighters Retirement Fund adopted changes to certain actuarial assumptions used in the 2020 actuarial valuation. The assumption changes adopted had minimal impact on the amortization period and funded ratio. Actuarial assumption changes included a decreased investment return assumption (from 7.5% to 7.3%) and increased payroll growth (from 2.0% to 2.5%). In addition, effective January 1, 2021, a cost-of-living adjustment increase of 1.4% went into effect.

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 Comprehensive Annual Financial Report for their web addresses.

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 begun working with COAERS to resolve the funding shortfalls. The City and COAERS remain in communication and are working collaboratively toward implementing changes during the 2023 legislative session. These changes may include a more adaptable, actuarially-determined funding model, phased increases to both City and employee contributions, and changes to the governance structure.

The City earmarked $11.3 million of funds in the FY 2020-21 budget to provide an initial first phase of increased City contributions to its pension plans. As of January 1, 2021, the City's contribution to COAERS increased by 1% to 19%.

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 $47.8 million in fiscal year 2020 and $44.1 million in fiscal year 2019.

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, 2020 actuarial valuation date (roll-forward), the City's total OPEB liability increased to $4.3 billion from $3.5 billion as of the actuarial valuation measured as of December 31, 2019. The increase in the total OPEB liability was attributable to several assumption changes. The primary factor was a reduction in the assumed discount rate (to 2.12% from 2.74%, based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date) as required by GASB guidance. In addition, changes to COAERS and the Fire Fighters' Retirement Fund assumptions such as new mortality tables and changes to certain demographics assumptions (trend rates, retirement rates, enrollment for retirees and spouses, etc.) contributed to the increase.

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 $2.16 million for claims and damages at the end of fiscal year 2020. 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 of Texas or its agencies and instrumentalities;
(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
(4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("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 of Texas 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 of Texas;

(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 of Texas; 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, 2020, was $234,605,334.

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). The City's investment policy currently limits the commercial paper that may be purchased to a term of 270 days or less.

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 September 30, 2021, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	50%
U. S. Agencies	21%
Local Government Investment Pools	29%

The dollar weighted average maturity for the combined City investment portfolios is 202 days. The City prices the portfolios weekly utilizing a market pricing service.

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

TAX MATTERS

Certain Federal Income Tax Considerations

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed in this document. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed in this document.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described in this document will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated in this document) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used in this document, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or in this document, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used in this document, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED IN THIS DOCUMENT FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED in THIS DOCUMENT. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

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 IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or 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 withholding or 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 Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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) for federal income tax purposes, interest on the Bonds will be excludable from the "gross income" of the holders thereof and (2) the Bonds of each series 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 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 this document

In rendering its opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate related to the Bonds, and (b) covenants of the City contained in the Thirty-Eighth Supplement relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance. In addition, with respect to the Bonds, Bond Counsel to the City will rely upon the report of the Verification Agent reporting calculation of yield on the Bonds and the Refunded Bonds; see "OTHER RELEVANT INFORMATION – Verification of Arithmetical and Mathematical Calculations" in this document.

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 such requirements, and Bond Counsel to the Issuer has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion regarding the Bonds 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 related to the Bonds is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the IRS by the Issuer with respect to the Bonds or property financed or refinanced with the proceeds of any series of the Bonds. No assurances can be given as to whether the IRS will commence an audit of the Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the City as the taxpayer and the holders 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 U.S. Holder who has purchased a Tax-Exempt Bond as an 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 U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (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 accrual period and ratably within each such accrual 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.

All U.S. Holders 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

Under section 6012 of the Code, U.S. 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.

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 Thirty-Eighth 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 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 – Annexation Program,"
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 2021 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 Thirty-Eighth Supplement. Neither the Bonds nor the Thirty-Eighth 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 Thirty-Eighth 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 Thirty-Eighth Supplement for purposes of any other provision of the Thirty-Eighth 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.

Compliance with Prior Undertakings

With respect to the City's continuing disclosure agreement regarding the Rental Car Special Facility Revenue Bonds, the City failed to file rating upgrades from Moody's and Fitch within the ten business day window which started on July 10, 2015 and August 17, 2016, respectively. The City filed the event notices with respect to the ratings upgrade on December 14, 2016. Notice of the failure to file the ratings upgrade in a timely manner was also filed on the same date. With respect to the continuing disclosure agreement entered into by Austin-Bergstrom Landhost Enterprise ("ABLE"), with respect to its Series 1999A and 1999B Bonds, ABLE did not file its financial statements by the June 30 deadline for Fiscal Year December 31, 2015. The financial statements were filed on July 19, 2016 and the notice of the failure to file was filed on September 1, 2017. The referenced ABLE bonds are no longer outstanding. With respect to the City's continuing disclosure agreements regarding its outstanding Combined Utility Revenue Bonds, Water and Wastewater System Revenue Bonds, and Electric Utility System Revenue Bonds, on February 3, 2017, the City filed a ratings upgrade notice for the Prior First-Lien Combined Electric, Water and Wastewater Revenue Bonds, which took place on July 1, 2015. The notice of failure to file the ratings upgrade in a timely manner was also filed on the same date. On June 30, 2017, the City filed updated financial information and operating data to reflect Fiscal Year 2016 information on the first page of the "Water Service Rates" table. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

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 Thirty-Eighth 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. 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" (except for the information under the subheading "Compliance with Prior Undertakings"), "OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds," "OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER RELEVANT INFORMATION – Legal Opinions," and in "APPENDIX C" and "APPENDIX D" to verify that the information relating to the Bonds, the Master Ordinance and the Thirty-Eighth 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 Haynes and Boone, 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 2021 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, 2020 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 $731,460.06. 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.

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.

Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Bonds.

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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

Upon delivery of the Bonds, the Verification Agent, Robert Thomas CPA, LLC, a firm of independent certified public accountants, 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 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 Obligations.

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 Thirty-Eighth 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/ Jannette S. Goodall
City Clerk
City of Austin, Texas

[This Page Intentionally Left Blank]

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

GENERAL INFORMATION

The City, chartered in 1839, has a Council-Manager form of government with a Mayor who is elected at-large and ten Councilmembers who are elected by geographic district. The 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.

The City is 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 2020 population of 1,006,727 according to the City's estimates. Over the past ten years, Austin's population increased by 25% or 201,065 residents. The City's demographer predicts that the City will surpass the one million mark by mid-year 2020. Recent data released by the U.S. Census Bureau identified the Austin-Round Rock MSA as the fastest growing in the country. Geographically, the City consists of approximately 327 square miles. The current estimated median household income for City residents is $65,950 according to Nielsen Site Reports and Austin's per capita personal income is estimated to be $67,400, a 6.3% increase over 2019.

The City consistently ranks high in the *U.S. News & World Report* list of best places to live, and in 2020, it ranked third. The quality of life that the City offers has become its biggest economic development engine, and the City's increasingly diverse demographics serve to support and enrich it further. City residents are highly educated, with 52% of adults twenty-five years or older holding a bachelor's or advanced degree, compared to 30% for the State and 32% for the U.S. Higher education is a significant aspect of life in the 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 2021 *U.S. News & World Report* Best Colleges survey, UT ranks thirteenth (tied) among public universities and its business programs were ranked fifth (tied) among national universities, both public and private.

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 – In November 2020, Austinites approved two propositions dedicated to improving mobility. The first, Proposition A, dedicates approximately 20.789% of ongoing City maintenance and operations property tax revenue to fund Project Connect, a new multi-modal transit system that the City is developing in partnership with the local transit authority, Capital Metro. Included in the plan are a new rail system, a downtown transit tunnel, an expanded bus system and a transition to an all-electric fleet. Initial funding of $145 million collected in 2021 will be dedicated to Austin Transit Partnership, a regional transportation entity formed to oversee design, construction, and implementation of the Project Connect program. The second, Proposition B, provides $460 million to significantly address sidewalk gaps, complete 80% of the City's bike lane network, boost the Vision Zero program, and other projects consistent with the Austin Strategic Mobility Plan. The capital spending plan for 2021 includes continued corridor improvements, installation of bikeway infrastructure and safety improvements to intersections with high-crash occurrences. An operational highlight of the year was implementation of the Healthy Streets Initiative, which opened up street space on approximately 10 miles of local roadway that enabled socially distanced walking, running, biking and other activities.

Economic Opportunity and Affordability – Ensuring that every Austinite has access to economic opportunities and resources that enable them to thrive is vital to this outcome, which was severely affected by the pandemic. In order to help residents and businesses recover from the hardships caused by the pandemic, the Economic Development Department established seven programs to distribute $128.3 million in support to musicians, live music venues, childcare providers, small businesses, and non-profit organizations. A variety of funding sources, including CARES funds, City operating funds, FEMA Public Assistance, and General Fund reserves were put toward this effort. Ending homelessness continues to be a high priority item for City Council. During 2020, nearly 1,400 people were moved into housing and out of homelessness and 69 continuum of care units were constructed, surpassing the target of 50 units for the year. In addition, the City purchased two hotels which will be used for transitional and permanent supportive housing. For fiscal year 2021, the budget includes $68.7 million to address this issue. Funding is provided for a full range of services including housing displacement prevention, crisis mitigation while experiencing homelessness, re-empowerment by providing safe and sustainable housing solutions, and related support. In addition, $107.6 million in capital spending on affordable housing is planned for fiscal year 2021, with major project expenditures related to mixed-income, multi-family rental units and construction of new units for permanent supportive housing. This increase of over $60 million from fiscal year 2020 is due to the passage of Proposition A in 2018 and includes funding for land acquisitions for affordable housing. Preventing homelessness is an important part of the overall effort to provide opportunity and affordability. The economic interruption of the pandemic has made it impossible for those that live from paycheck to paycheck to pay their rent. Toward this effort, $25 million in direct rental assistance is being distributed to landlords through fiscal years 2020 and 2021. Recently the City received an additional $29 million for Emergency Rental Assistance as the pandemic continues. Additionally, the City and Travis County have continued to extend eviction bans to keep people housed and reduce the spread of the virus. For residents paying utilities, there was a net decrease in charges assessed by the City's six enterprise departments on monthly utility bills for 2021. The decrease was driven by a reduction in the regulatory charge assessed by Austin Energy. As approved by Council in April 2020 in response to COVID-19 impacts on utility customers and again in March 2021, Austin Energy and Austin Water each provided $5 million across both fiscal years for a total of $20 million to the Plus 1 assistance program.

Safety – Community expectations to address historical institutional inequality played a significant role in analyzing this outcome to reimagine public safety. As part of this effort, for the 2021 budget Council directed the City Manager to identify resources that could be reallocated to alternative public health and safety strategies. These strategies include increased funding for mental health first response, the creation of the Office of Violence Prevention within the Office of Police Oversight, funding a service provider to operate a family shelter and a new Civil Rights Office among many other initiatives. While resources were shifted with this effort, the operating budget for the safety outcome remained constant at $1 billion The joint Fire/EMS station in Del Valle/Moore's Crossing opened in 2020, the first of five stations to be built in six years as part of a council resolution adopted in 2018. In support of anticipated risk due to wildfire, the City adopted the International Wildland Urban-Interface Code. Austin is the first major city in Texas to adopt such a code, which will apply to new construction and remodels in Wildland Urban Interface areas.

Health and Environment – Austin Public Health (APH) activated the Department Operations Center on February 5, 2020, well before the first cases of COVID-19 were confirmed on March 13, 2020. In conjunction with multiple departments, including Homeland Security and Emergency Management, APH established an online platform for COVID-19 public assessment and drive-through testing, a hotline for the restaurant community and lodging facilities for vulnerable communities. Additionally, APH was selected by the state as one of 18 regional vaccination providers, or hubs, for its ability to efficiently vaccinate large groups of qualified individuals. As a testament to these many efforts, in addition to the efforts of residents, businesses and community leaders, the Austin area has experienced the lowest total COVID-19 positive cases per capita compared to other metro areas in the state since the pandemic began. Capital expenditures for this strategy lie predominantly with Austin Water Utility for upgrades and improvements through the Williamson Creek Interceptor and the Advanced Metering Infrastructure projects. Also slated for fiscal year 2021 is the design phase for a pilot of an Aquifer Storage Recovery (ASR) Facility. This water supply strategy was recommended by Water Forward in order to store available drinking water underground for increased operational resiliency in the event of emergency or possible climate-related events.

Culture and Lifelong Learning - A majority of the fiscal year 2021 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. In support of residents during the shutdown, 11 branches of the library opened for curbside service providing access to all collections. In addition, $3 million is included in the budget of the Live Music Fund for local music initiatives. With respect to capital spending, the 2018 voter approved public improvement bonds included funding for improvements to the Emma S. Barrientos Mexican American Cultural Center, which will begin the project's design phase in fiscal year 2021. Funding is also included to begin upgrading mechanical, electrical and plumbing components of the Faulk Central Library, previously the City's main library, for the Austin History Center, which will begin using the space upon completion.

Government that Works for All – As part of new initiatives in this strategy, the Civil Rights Office was created and will expand on previous City initiatives as well as provide education and outreach to the community. The office will have 13 staff and will reside under the City Manager's Office. The Information Security Office (ISO), previously housed under CTM, will become a stand-alone office in 2021 to bolster the City-wide information security program and architecture. This restructuring is the result of a recommendation from a cybersecurity audit conducted by the Office of the City Auditor. Finally, several departments are collaborating to launch and procure a contract for a human capital management system which will bring together over 20 stand-alone systems and create a single system for employee records. Among other things, this project will improve business processes to increase efficiencies. Funding is provided in both the operating and capital budgets for this multi-year endeavor. As to capital spending for fiscal year 2021 in this strategy, Austin Energy accounts for the majority of the expenditures, ensuring the maintenance of and upgrades to the electric infrastructure in order to provide safe and uninterrupted electric service. Funding to address deferred maintenance on City facilities and critical technology replacements over multiple departments accounts for 11% and nearly $50 million of the Government that Works for All outcome.

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. In 2020, City Council revised General Fund financial policies and established a goal to increase the Emergency Reserve from 6% to 8% and to limit expenditure of the Budget Stabilization reserve to emergency situations unless it exceeds 6%. This will ultimately result in an increase of total General Fund reserves from 12% to 14% of operating expenses.

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 2020 Annual Report, the City continues to meet its responsibility for sound financial management.

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

ADDITIONAL INFORMATION

Ten Largest Employers (As of September 30, 2020)

Employer	Industry	Employees	Percent of MSA Total
State Government	Government	39,086	3.58
The University of Texas at Austin	Education	27,426	2.51
HEB Grocery Stores	Grocery/Retail	18,035	1.65
Federal Government	Government	17,100	1.57
City of Austin	Government	14,722	1.35
Dell Computer Corporation	Computers	14,030	1.28
Ascension Seton	Healthcare	11,227	1.03
Austin Independent School District	Education	11,005	1.01
St. David's Healthcare Partnership	Healthcare	10,836	0.99
Walmart Stores Inc.	Retail	7,500	0.69

Source: 2020 Comprehensive Annual Financial Report

Demographic and Economic Statistics - Last Ten Years

Year	City of Austin Population (1)	Area of Incorporation (Square Miles) (1)	Population MSA (2)	Income (MSA) (thousands of dollars) (2)	Median Household Income MSA (3)	Per Capita Personal Income MSA (3)	Unemployment Rate (MSA) (4)
2011	805,662	308	1,780,605	77,881,693	46,689	43,739	6.6%
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	1,006,727	327	2,235,584(6)	150,639,599(5)	69,001(6)	67,400(5)	6.3%
2011-2020 Change	24.96%	6.07%	25.55%	93.42%	47.79%	54.10%	

Note: Prior year statistics are subject to change as more precise numbers become available.
(1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
(2) Source: Bureau of Economic Analysis for all years except 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, 2020.
(5) Data not available for 2020. Figures are estimated.
(6) Source: Nielsen SiteReports.

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

City Sales Tax Collections (In Millions) (1)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-16	$16.138	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
2-1-16	21.884	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
3-1-16	15.667	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
4-1-16	15.528	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
5-1-16	19.258	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
6-1-16	17.070	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
7-1-16	16.836	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
8-1-16	21.467	8-1-17	19.930	8-1-18	20.338	8-1-19	21.556	8-1-20	21.667		
9-1-16	16.352	9-1-17	17.401	9-1-18	19.701	9-1-19	21.797	9-1-20	19.750		
10-1-16	17.106	10-1-17	17.828	10-1-18	19.502	10-1-19	20.080	10-1-20	19.178		
11-1-16	19.059	11-1-17	19.382	11-1-18	20.661	11-1-19	22.017	11-1-20	22.036		
12-1-16	17.033	12-1-17	17.567	12-1-18	20.482	12-1-19	21.463	12-1-20	20.670		
	$213.40		$219.33		$235.23		$249.79		$246.658		$155.189

(1) Sales taxes are not pledged to the payment of the Bonds.
Source: City of Austin, Budget Office

Utility Connections

	Utility Connections		
Year	Electric (1)	Water (1)	Gas (1)
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

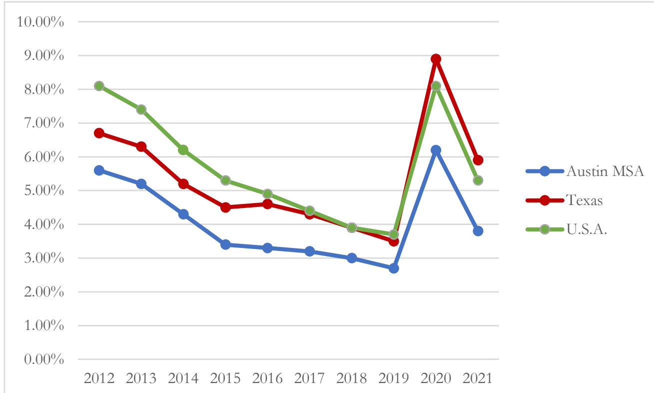
(1) Based on the City's fiscal year, which runs October 1 through September 30.
Source: Various, including the City of Austin, Texas Gas Services, Atmos Energy and Centerpoint Energy.

Employment by Industry in the Austin Metropolitan Area (1)

	2016		2017		2018		2019		2020	
		% of total		% of total		% of total		% of total		% of total
Mining, Logging, and Construction	58,800	5.87%	62,100	6.00%	64,500	6.00%	69,000	6.18%	71,200	6.41%
Manufacturing	55,800	5.57%	57,400	5.55%	60,700	5.64%	62,500	5.60%	65,000	5.85%
Trade, Transportation, and Utilities	170,100	16.99%	174,800	16.89%	179,700	16.71%	184,800	16.56%	195,300	17.58%
Information	29,000	2.90%	30,800	2.98%	34,700	3.23%	38,400	3.44%	40,500	3.65%
Financial Activities	57,000	5.69%	60,200	5.82%	63,100	5.87%	66,200	5.93%	69,700	6.27%
Professional and Business Services	171,000	17.08%	177,600	17.16%	187,700	17.45%	198,700	17.80%	207,400	18.67%
Education and Health Services	115,600	11.55%	120,600	11.65%	125,300	11.65%	128,900	11.55%	124,900	11.24%
Leisure and Hospitality	122,000	12.19%	125,700	12.15%	130,700	12.15%	135,600	12.15%	106,400	9.58%
Other Services	43,800	4.37%	45,000	4.35%	46,300	4.30%	47,500	4.26%	42,300	3.81%
Government	178,100	17.79%	180,700	17.46%	183,000	17.01%	184,600	16.54%	188,300	16.95%
Total nonfarm employment	1,001,200	100%	1,034,900	100%	1,075,700	100%	1,116,200	100%	1,111,000	100%

(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



Year	Austin MSA	Texas	U.S.A.
2012	5.6%	6.7%	8.1%
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%	7.6%	8.1%
2021(1)	3.8%	5.9%	5.3%

Source: U. S. Bureau of Labor Statistics, accessed October 19, 2021. 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 of Texas on March 4, 2020.
(1) Reflects the August 2021 monthly non-seasonally adjusted unemployment rate.

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

Housing Units

Rental rates in the City averaged $1.50 per square foot, with an occupancy rate of 91.5% as of June 30, 2020, per Capitol Market Research.

Residential Sales Data (Austin-Round Rock MSA)

Year	Number of Sales	Total Volume ($)	Average Price ($)
2012	25,148	6,677,787,522	265,540
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(1)	4,369	2,621,271,158	599,971

Source: Real Estate Center at Texas A&M University.
(1) Data as of July 2021.

City-Wide Austin Office Occupancy Rate

Year	Occupancy Rate
2012	86.8%
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(1)	79.8%

(1) As of June 2021.
Source: Cushman & Wakefield.

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

APPENDIX B

AUDITED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF AUSTIN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2020

TABLE OF CONTENTS

This page intentionally blank.

Deloitte & Touche LLP
500 West Second Street
Suite 1600
Austin, TX 78701-4671
USA

Tel:+1 512 691 2330
Fax:+1 512 708 1035
www.deloitte.com

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, 2020, 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 the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the 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, 2020, 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.

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 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.

Deloitte & Touche LLP

March 19, 2021

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

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. 83, No. 85 and No. 86, No. 88 and No. 89, and No. 95.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2020, resulting in $3.4 billion of net position. Net position associated with governmental activities is a deficit of approximately $600.6 million, while the net position associated with business-type activities is approximately $4.0 billion, or 117.6% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is $4.3 billion, or 125.9% of total net position.

The City's unrestricted net position is a deficit of $2.2 billion. Unrestricted net position for governmental activities is a deficit of $2.8 billion, while unrestricted net position for business-type activities is approximately $628.6 million, or 15.6% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of $2.1 billion and other postemployment benefits (OPEB) liability of $2.1 billion.

During fiscal year 2020, total net position for the City of Austin decreased $333.7 million or 8.9%. Of this amount, governmental activities decreased $323.8 million, or 116.9% from the previous year and business-type activities decreased $9.9 million, or 0.2%.

Total revenues for the City decreased $95.0 million; revenues for governmental activities increased $72.7 million; revenues for business-type activities decreased $167.7 million. Total expenses for the City increased $283.9 million; expenses for governmental activities increased $310.0 million; expenses for business-type activities decreased $26.1 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: the Austin Housing Finance Corporation (AHFC), the Urban Renewal Agency (URA), the 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 four discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), 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, 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 2020.

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

b -- Fund financial statements, continued

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

Fund Types/Other	Government-wide	Fund Financials
General Fund	Governmental	Governmental - Major
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital 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	Discrete 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 thirteen 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 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 Activities		Business-Type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current assets	$ 772,670	821,260	1,867,245	1,824,305	2,639,915	2,645,565
Capital assets	3,305,902	3,095,777	8,974,945	8,820,371	12,280,847	11,916,148
Other noncurrent assets	246,952	161,930	2,854,365	2,695,494	3,101,317	2,857,424
Total assets	4,325,524	4,078,967	13,696,555	13,340,170	18,022,079	17,419,137
Deferred outflows of resources	1,576,856	1,145,454	1,021,150	721,356	2,598,006	1,866,810
Current liabilities	503,696	433,069	582,656	557,460	1,086,352	990,529
Noncurrent liabilities	5,712,633	4,883,819	8,403,024	7,952,238	14,115,657	12,836,057
Total liabilities	6,216,329	5,316,888	8,985,680	8,509,698	15,202,009	13,826,586
Deferred inflows of resources	286,661	184,387	1,713,928	1,523,806	2,000,589	1,708,193
Net position:						
Net investment in capital assets	1,999,355	1,844,751	2,303,795	2,366,162	4,303,150	4,210,913
Restricted	235,505	215,091	1,085,723	1,015,860	1,321,228	1,230,951
Unrestricted (deficit)	(2,835,470)	(2,336,696)	628,579	646,000	(2,206,891)	(1,690,696)
Total net position	$ (600,610)	(276,854)	4,018,097	4,028,022	3,417,487	3,751,168

In the current fiscal year, total assets increased $602.9 million and deferred outflows of the City increased by $731.2 million. Total liabilities increased $1.4 billion and deferred inflows increased by $292.4 million. Governmental-type total assets increased by $246.6 million and business-type increased by $356.4 million, while governmental-type liabilities increased by $899.4 million and business-type increased by $476.0 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of $210.1 million as the City continues to build out projects from the 2012, 2016, and 2018 bond programs. Factors in the increase of governmental-type liabilities of $899.4 million include increases in OPEB liability of $664.5 million, net pension liability of $83.5 million, and bonds payable of $75.1 million. Decreases in the municipal bond index rates of approximately 1.35% since the prior measurement date significantly impacted the OPEB liability as well as the Police Officers' fund net pension liability. These indexes determine the discount rate used in calculating the liabilities. Almost $800 million of the $1.1 billion City-wide increase in the OPEB liability is attributable to this factor.

The most significant factor in the increase of business-type total assets is related to the $206.2 million increase in regulatory assets, which consists of a $111.8 million increase in Austin Energy deferred depreciation and a combined increase of $102.9 million in deferred pension and OPEB expenses for Austin Energy and Austin Water. In addition, growth in capital assets contributed to an additional increase of $154.6 million, of which approximately $60.5 million is related to various water and wastewater treatment plant improvements, and $38.4 million is for the Airport's new consolidated maintenance facility. The primary factors in the increase in business-type total liabilities of $476.0 million include an increase in the OPEB liability of $444.6 million and an increase in commercial paper of $237.2 million offset by a decrease in bonds payable of $236.1 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 $3.4 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 $4.3 billion, or 125.9% 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, $1.3 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 $2.2 billion of unrestricted net position. Unrestricted net position decreased $516.2 million in the current fiscal year. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for business-type activities. However, governmental activities as well as the government as a whole report a deficit of $2.8 billion and $2.2 billion for unrestricted net position, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in net position

Condensed Statement of Changes in Net Position
September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	$ 119,052	131,879	2,527,607	2,667,766	2,646,659	2,799,645
Operating grants and contributions	190,534	66,439	24,383	785	214,917	67,224
Capital grants and contributions	60,724	78,826	147,545	164,700	208,269	243,526
General revenues:						
Property tax	732,336	671,614	--	--	732,336	671,614
Sales tax	246,658	248,813	--	--	246,658	248,813
Franchise fees and gross receipts tax	117,810	175,182	--	--	117,810	175,182
Interest and other	41,862	53,330	37,553	71,569	79,415	124,899
Special item - land sale	--	10,201	--	--	--	10,201
Total revenues	1,508,976	1,436,284	2,737,088	2,904,820	4,246,064	4,341,104
Program expenses:						
General government	283,532	201,747	--	--	283,532	201,747
Public safety	842,450	810,140	--	--	842,450	810,140
Transportation, planning, and sustainability	88,948	83,967	--	--	88,948	83,967
Public health	278,340	123,304	--	--	278,340	123,304
Public recreation and culture	178,481	175,567	--	--	178,481	175,567
Urban growth management	162,677	133,763	--	--	162,677	133,763
Interest on debt	69,002	64,986	--	--	69,002	64,986
Electric	--	--	1,345,003	1,397,591	1,345,003	1,397,591
Water	--	--	318,889	314,899	318,889	314,899
Wastewater	--	--	263,230	263,362	263,230	263,362
Airport	--	--	216,183	202,366	216,183	202,366
Convention	--	--	76,382	84,673	76,382	84,673
Environmental and health services	--	--	134,680	121,987	134,680	121,987
Public recreation	--	--	9,681	9,195	9,681	9,195
Urban growth management	--	--	312,267	308,303	312,267	308,303
Total expenses	1,903,430	1,593,474	2,676,315	2,702,376	4,579,745	4,295,850
Excess (deficiency) before transfers	(394,454)	(157,190)	60,773	202,444	(333,681)	45,254
Transfers	70,698	133,907	(70,698)	(133,907)	--	--
Increase (decrease) in net position	(323,756)	(23,283)	(9,925)	68,537	(333,681)	45,254
Beginning net position, as previously reported	(276,854)	(253,209)	4,028,022	3,959,485	3,751,168	3,706,276
Restatement adjustment	--	(362)	--	--	--	(362)
Beginning net position, as restated (see Note 18)	(276,854)	(253,571)	4,028,022	3,959,485	3,751,168	3,705,914
Ending net position	$ (600,610)	(276,854)	4,018,097	4,028,022	3,417,487	3,751,168

Total net position of the City decreased by $333.7 million in the current fiscal year. Governmental net position decreased by $323.8 million. The decrease is attributable to expenses exceeding revenues by $394.5 million before transfers from other funds of $70.7 million. Business-type net position decreased by $9.9 million due to transfers to other funds of $70.7 million exceeding the surplus revenues over expenses of $60.8 million.

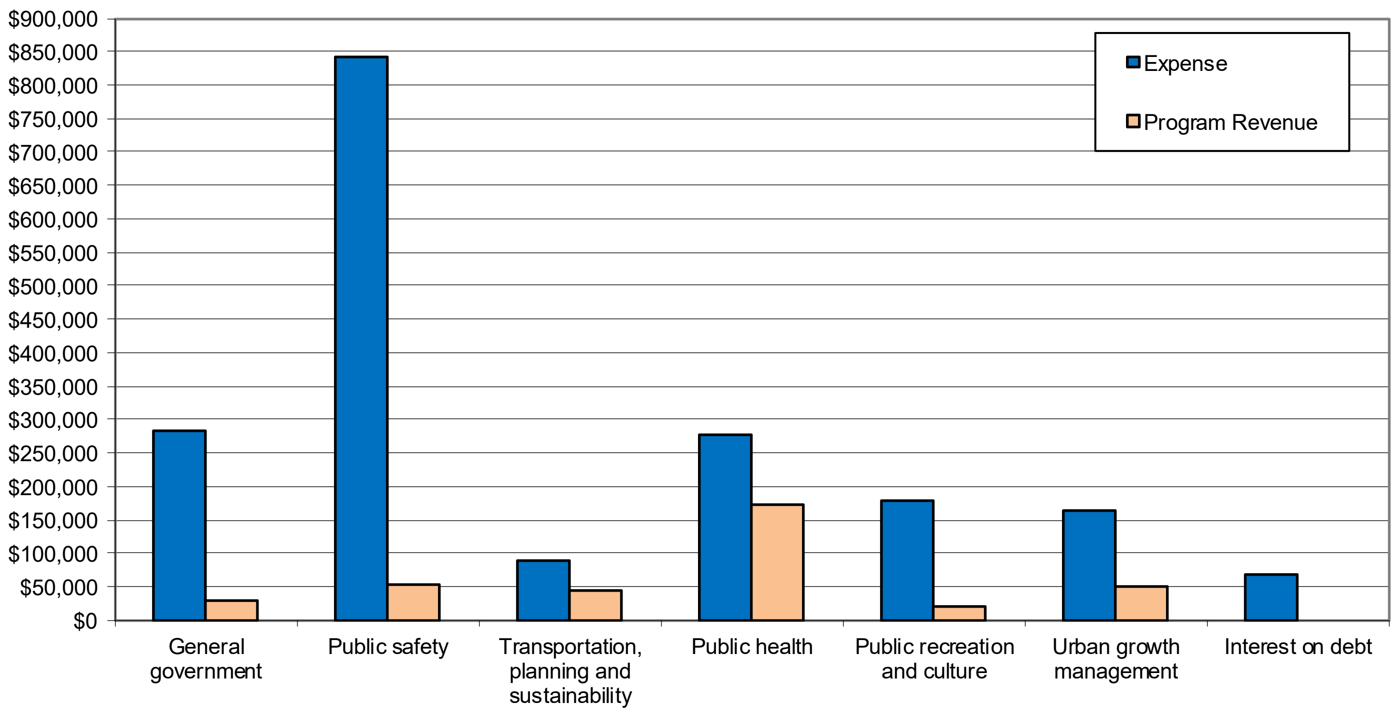
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c -- Program revenues and expenses -- governmental activities
Governmental activities decreased the City's net position by $323.8 million in fiscal year 2020, a 116.9% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2019 to 2020 are as follows:

- General government expenses increased $81.8 million. The largest increase is related to the Coronavirus Disease 2019 (COVID-19) pandemic response for various emergency relief programs in the amount of $55.9 million and an increase in OPEB expense of $13.9 million.
- Public safety expenses increased by $32.3 million due primarily to increases in pension expense of $81.7 million, compensated absences of $13.6 million, police payroll expenses of $19.9 million primarily for overtime and terminal pay and police contractual expenses of $10.1 million, offset by a $99.9 million reimbursement for public safety wages from the CARES – Coronavirus Relief fund.
- Public health expenses increased by $155.0 million due to COVID-19 pandemic response activities. $137.0 million of COVID-19 expenses were federally funded by the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) Coronavirus Relief Fund (CRF), which supported emergency management, public safety costs, quarantine facilities, rental assistance and various economic support programs. In addition, the Austin Public Health department had an increase of $11.6 million in contractual social services in response to COVID-19.
- Urban growth management expenses increased $28.9 million due to an increase in housing assistance and affordable housing projects in the Austin Housing Finance Corporation.

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)

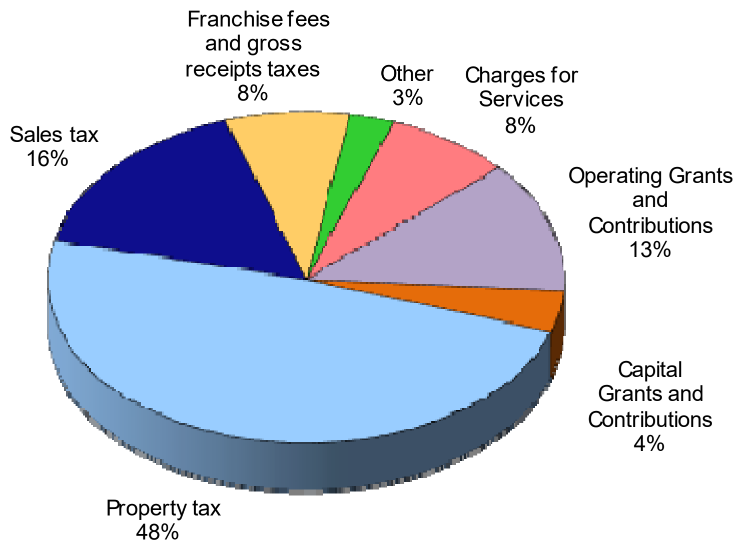


FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

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



The City's property tax revenue increased by $60.7 million from the previous year due to an increase in assessed property values of $13.0 billion, in addition to a property tax rate increase from 0.4403 to 0.4431 per $100 of valuation. Sales tax collections and franchise fees for the year were $2.2 million and $57.4 million less than the prior year, respectively, as result of the negative impact of COVID-19 on the Austin economy. The City's operating grants and contributions increased by $124.1 million from the previous year due to CARES-CRF federal assistance of $137 million for the COVID-19 pandemic response.

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

Business-type activities decreased the City's net position by approximately $9.9 million, accounting for a 0.3% decrease in the City's total net position. Key factors include:

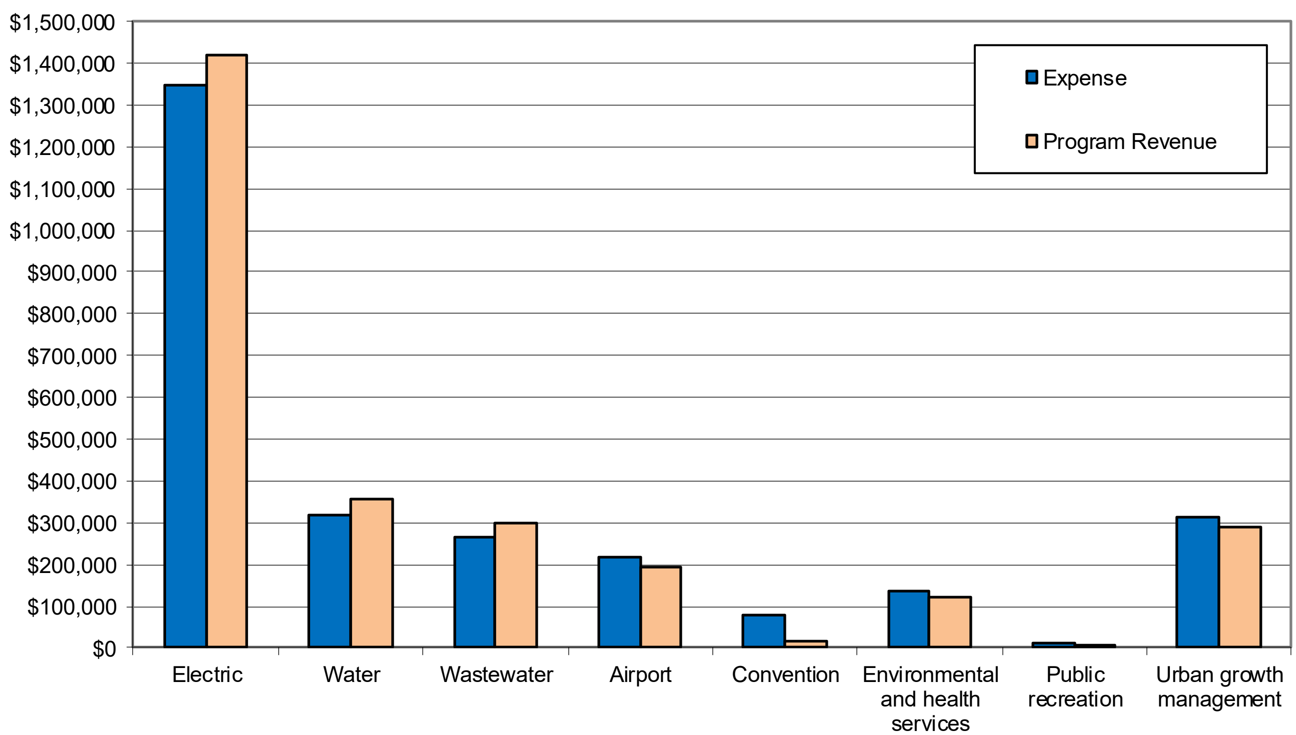
- Austin Energy net position decreased $29.5 million. Revenues decreased primarily due to decreased base revenue and interest income. As part of Austin Energy's COVID-19 response, City Council approved a decrease to base rates in April 2020.
- Austin Water net position increased approximately $29.7 million. Revenues increased 4.7% largely due to an increase in developer related contributed facilities. In addition, water consumption in residential and multifamily properties increased due to the Stay Home – Work Safe order. Expenses increased by 0.7% due to increases in OPEB, salaries and COVID-19 customer assistance program expenses.
- Airport net position decreased approximately $16.0 million. Revenue decreased 15.2% due to a decrease in passenger traffic and lower rental, landing fees and parking revenue as a result of COVID-19. In addition, Airport received $21.5 million in grant funds from the CARES-CRF, which helped offset the decrease in revenues. Expenses increased 6.8%, primarily due to an increase in debt service payments.
- Convention Center net position increased approximately $8.0 million, however, this was an overall incremental decrease of $44.4 million compared to the 2019 fiscal year increase in net position. Revenues decreased 61.8% due to the cancellation of events as a result of COVID-19 gathering restrictions. Due to the decrease in events, revenue from food concessions decreased by $19.5 million. Expenses decreased 9.8% primarily due to a decrease in catering expenses as a result of gathering restrictions related to COVID-19.
- Environmental and health services is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position decreased approximately $15.0 million. Revenues increased 1.4% due mainly to an increase in the Clean Community Fee and base fee for residential and commercial accounts. Expenses increased by 10.4% primarily due to an increase in staffing for recycling initiatives and an increase in fleet fuel and maintenance expenses.

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 increased by approximately $15.4 million.
  - o Development Services revenues decreased by 8.8%, primarily resulting from the "Stay Home – Work Safe" order put in place in March and April to reduce the COVID-19 infection rate. The Land Use Review, Building Plan Review and Site and Sub Inspection business units were significantly affected by the order. The Land Use Review saw a decrease in revenue of $3.0 million. The Site and Sub Inspection business unit had a decrease of revenue of $1.9 million. Expenditures increased 15.0% from the previous year. The main driver of this increase was increased IT consultant costs related to software upgrades and new implementations.
  - o Drainage revenues increased 9.8% primarily due to a $26.0 million contribution for phase two of home buyouts in flood prone areas, which was offset by the decrease in two subprojects that were completed and capitalized in fiscal year 2019. Expenses increased 2.8% due to an increase in construction services for facilities rehabilitation, an increase in seminar and training fees associated with leadership and digital empowerment training for employees, and an increase in operating expenses.
  - o Transportation revenues decreased 0.6%, primarily as a result of a decrease in the number of utility cut repairs required and reduced parking fees. Expenditures increased 5.6% overall with the primary drivers being an increase in staff levels and service contracts, with offsetting reductions in commodities.

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 water with $318.9 million, urban growth management with $312.3 million, wastewater with $263.2 million, airport with $216.2 million, environmental and health services with $134.7 million, convention with $76.4 million, and public recreation with $9.7 million. For the fiscal year, expenses exceeded revenues for all business-type activities except electric, water, and wastewater.

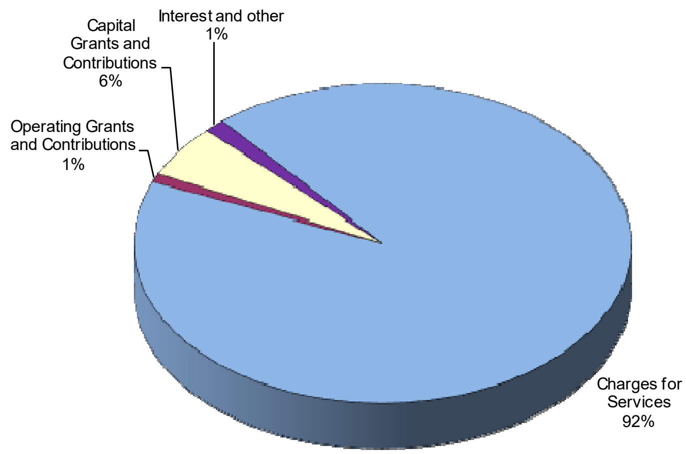
Government-wide Expenses and Program Revenues -- Business-type Activities
(Excludes General Revenues and Transfers)
(in thousands)



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, interest and other revenues, and operating grants and contributions.

Government-wide Revenue by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

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

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

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of $578.3 million, a decrease of $34.9 million from the previous year. Approximately $3.9 million is nonspendable, $299.1 million is restricted, $47.2 million is committed, $216.1 million is assigned, and $12.0 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 $2.9 million, assigned fund balance of $95.5 million, and unassigned fund balance of $173.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.9% of total General Fund expenditures of $1.0 billion, and total fund balance represents 26.6% 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 $93.5 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total identified amount, with the other two-thirds identified for budget stabilization in future years.

The fund balance of the General Fund increased $35.9 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $42.5 million due primarily to an increase in assessed property values.
- Transfers out decreased by $20.6 million.
- Franchise fees and other tax revenues decreased by $11.3 million. COVID-19 restrictions on dining at restaurants and travel caused decreases in mixed drink tax of $4.5 million and gasoline tax of $1.4 million. New telecom and cable legislation at the state level caused decreases in telecom tax of $3.0 million and cable tax of $2.7 million.
- Charges for services and goods decreased by $10.8 million due to reductions in services provided by the City as a result of the Stay Home – Work Safe order restrictions to reduce the COVID-19 infection rate.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

a -- Governmental funds, continued

General Fund expenditures increased $8.4 million, due primarily to increases in general government by $68.7 million and public health by $9.5 million due to the City's COVID-19 response with various emergency relief programs. In addition, public safety decreased by $70.4 million due to a $99.9 million reimbursement for public safety wages from the CARES – Coronavirus Relief fund.

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 decreased by $27.1 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 2020, primarily due to increased spending as a result of COVID-19:

- Austin Public Health revenue and expense budgets increased by $167,619 due to a budget amendment as a result of a new interlocal agreement with the City of Pflugerville to provide public health services. In addition, $250,000 of the public health expense budget in the Budget Stabilization Reserve fund was reallocated to transfers out.
- Austin Fire Department's expenditure budget was increased $5,000,000 to cover additional sworn personnel costs. In conjunction with this, Budget Stabilization fund transfers in and General Fund transfers out were each reduced by a $5,000,000.
- General City Responsibilities expense budget increased by $41,606,271 for the following COVID-19 response programs:
    - $2,804,760 for emergency housing and support services
    - $15,000,000 for emergency support in Relief in a State of Emergency (RISE) fund
    - $1,500,000 for the Austin Music Disaster Relief Fund
    - $2,101,511 for COVID-19 emergency relief
    - $2,200,000 for emergency food access for caregivers and students
    - $18,000,000 for the revolving loan programs and grants

During the year, actual budget basis revenues were $31.8 million less than budgeted. Property taxes were $1.1 million more than budgeted due to new properties, an increase in overall property values and an increase in the tax rate. Sales taxes were $5.2 million less than budgeted and other taxes were $5.3 million less than budgeted due to COVID-19's negative impact on travel and the economy. Recreation and culture revenues were $7.4 million less than budgeted due to reduced services as part of the COVID-19 response. Emergency medical services were $6.3 million less than budgeted due to a reduction in uncompensated care reimbursements from the federal government. Interest was $2.6 million lower than budgeted due to a worse than expected market and COVID-19's negative impact on the economy.

Actual budget-basis expenditures were $106.1 million less than budgeted. At the onset of the pandemic, it was difficult to determine the revenue impacts of the Stay Home – Work Safe order and economic slow-down. The City took action to cut costs to mitigate the anticipated revenue shortfalls by implementing a stringent hiring freeze and limiting discretionary expenditures. As City facilities remained closed, utility costs were reduced. Numerous programs in libraries and parks were cancelled saving contract labor, temporary employee, and various other costs. In addition, the City reallocated numerous staff from their originally budgeted focus to the COVID-19 response, which was ultimately funded by sources other than the General Fund. As a result of these actions, all departments remained under budget. Emergency Medical Services was under budget $3.2 million and Fire was under budget $7.8 million due to COVID-19 reimbursement programs. Parks and Recreation was under budget $8.5 million due to reduced services as part of the COVID-19 response. Neighborhood Housing and Community Development was under budget $14.0 million due to multiyear housing projects that were budgeted in fiscal year 2020 but will be completed at a later date. General city responsibilities was under budget $61.4 million due to a $99.9 million reimbursement for public safety wages from the CARES – Coronavirus Relief fund. The total budget-basis fund balance at year-end was $220.7 million.

OTHER INFORMATION, continued

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2020, total $12.3 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was $364.7 million, with an increase of 6.8% for governmental activities and an increase of 1.8% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation and Amortization (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Building and improvements	$ 828	658	2,250	2,140	3,078	2,798
Plant and equipment	98	79	2,446	2,424	2,544	2,503
Vehicles	62	56	86	82	148	138
Electric plant	--	--	2,434	2,507	2,434	2,507
Non-electric plant	--	--	175	167	175	167
Nuclear fuel	--	--	47	49	47	49
Water rights	--	--	79	80	79	80
Infrastructure	1,711	1,735	--	--	1,711	1,735
Land and improvements	409	401	787	744	1,196	1,145
Construction in progress	168	138	644	600	812	738
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	30	29	4	4	34	33
Total net capital assets	$ 3,306	3,096	8,975	8,820	12,281	11,916

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

- Governmental capital assets increased $210.1 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 the 2012, 2016 and 2018 bond programs. Construction continues at the Waterloo Park and within the related Waller Creek District. The new Montopolis Recreation and Community Center, the Del Valle Fire & EMS Station, and the Planning and Development Center reached substantial completion during the fiscal year. Additionally, the City closed on the purchases of two hotels to meet the future needs of people experiencing homelessness in the community. These hotels are currently being used as protective lodges in support of the City's COVID-19 response.

- Business-type activities purchased, constructed, or received capital asset contributions of $154.6 million. Asset additions included completion of phases II and III of terminal apron expansion and ongoing construction of a consolidated maintenance facility at Airport, enhancement of the Davis Water Treatment Plant, and acquisition of properties along Onion Creek that are at risk for flooding. Contributed facilities included acceptance of the Cottonmouth Creek and Pilot Knob wastewater interceptors, which combined represent $10.6 million in developer constructed infrastructure.

OTHER INFORMATION, continued

c -- Debt administration

At the end of the current fiscal year, the City reported $7.4 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
General obligation bonds and other tax supported debt, net	$ 1,487	1,411	80	90	1,567	1,501
Commercial paper notes, net	--	--	366	129	366	129
Revenue bonds, net	--	--	5,228	5,465	5,228	5,465
Revenue notes from direct placements, net	--	--	173	162	173	162
Capital lease obligations	26	10	1	1	27	11
Total	$ 1,513	1,421	5,848	5,847	7,361	7,268

During fiscal year 2020, the City's total outstanding debt increased by $92.5 million. The City issued new debt, used cash to defease debt, and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased by $91.5 million. The resulting net increase is a combination of the issuance of $232.4 million in new debt to be used primarily for facility improvements, streets and mobility, watershed projects and acquisition of land, parks and recreation, capital equipment, Waller Creek District improvements, and affordable housing, offset by the refunding portion of the issuance of $21.6 million and debt payments during the year.

- Outstanding debt for business-type activities increased by $1.0 million. The City issued $21.2 million in Water and Wastewater System revenue bonds. These issuances were offset by debt payments during the year and the cash defeasance of $37.0 million in Water and Wastewater separate lien revenue bonds.

During the year, the rating for the City's General Obligation bonds was revised by Moody's Investors Service, Inc. from Aaa to Aa1. 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, 2020 and 2019 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch Ratings, Inc.	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
General obligation bonds and other tax supported debt	Aa1	Aaa	AAA	AAA	AAA	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

The most significant economic factor of this past year for Austin and the nation, has been the COVID-19 virus. On March 6, 2020, City of Austin and Travis County officials declared a "local state of disaster" to proactively increase preventative measures and put in place mitigation plans for events in the region. This action effectively cancelled South by Southwest, with other events soon following suit, significantly curtailing travel and tourist activity. Economic activity was further curtailed by stay-at-home orders issued later the same month. Although those orders were lifted on May 1st, businesses continue to operate with capacity restrictions.

Austin's diverse economic base and national reputation continues to attract new employers and talented individuals to the area. Over the past 10 years, Austin's population has increased by approximately 25% or 201,065 residents, reaching the long-anticipated milestone of one million residents in 2020. Both the Austin and the Texas economies continue to expand at rates above the national economy. The Austin-Round Rock MSA was ranked third when comparing 2020 employment activity in the top 51 metro areas per the US Bureau of Labor Statistics. The Austin area lost 11,500 jobs from December 2019 through December 2020 driven primarily by losses in the hospitality sector. As of December 2020, the unemployment rate for the Austin-Round Rock MSA was 5.1%, while the state unemployment rate was 7.2% and the national unemployment rate was 6.7%.

While the City continues to consolidate its position as a tech hub, a record 39 companies announced plans to relocate or expand operations in the Austin Metro area, which are anticipated to create over 9,900 jobs. Tesla's Gigafactory alone expects to hire 5,000. This development is expected to attract new talent to the Austin metro area and enable overall growth of the Austin area economy. Real estate continues to perform well, particularly in the residential and industrial sectors. In 2020 the Austin metro residential market experienced a 1.7% increase in sales compared with the same period in 2019. Sales tax revenue decreased 0.9% from the previous year mainly as a result of impacts from the pandemic. In 2021, the rate of growth in sales tax collections is expected to normalize by third quarter. Overall, Austin is deemed to be less exposed to the industries most affected by COVID-19 and economic recovery is expected to strengthen over the course of the year.

While development of the City's fiscal year 2021 budget was primarily remote and on-line, it remained a process true to City Management's unwavering commitment to openness, transparency, and public engagement. The overriding goal of the 2021 budget process was to maintain city operations with no furloughs or layoffs and support the community through the uncertainty of the pandemic. Despite anticipating a 5% drop across all city funds, the budget is projected to restore General Fund reserves to 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 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. Moody's Investors Service lowered their ratings on the City's general obligation bonds to Aa1 with a stable outlook related to fixed costs of the city's pension and other postemployment benefit plans. A number of pension reforms are being developed for the State legislature's consideration in 2023 to address significant underfunding in the City Employees' and Police Officers' retirement plans.

The taxable property values within the City increased by 8.0% in 2020 for fiscal year 2021. The property tax rate for fiscal year 2021 is 53.35 cents per $100 valuation, up from 44.31 cents per $100 valuation in 2020. The primary reason for the tax increase was the November voter approval of Project Connect bond proposition with dedicates 8.75 cents of the City's tax rate to this mobility project. The tax rate consists of 42.09 cents for the General Fund and 11.26 cents for debt service. The increase in property tax for the median valued home is $332 for 2021. Austin Energy's fiscal year 2021 regulatory charge was reduced which offset increases to fees for Austin Resource Recovery and the Transportation User Fee. Austin Water's rates have no changes.

Beginning on February 14, 2021, a series of winter storms brought record-breaking low temperatures and snowfall to all of Texas. The frigid weather caused increased energy and heating demands and simultaneously caused the failure of a number of power generation facilities across the state. To protect the Texas power grid and prevent permanent damage, the Electric Reliability Council of Texas ordered a reduction in power usage by all members, including Austin Energy. Due to the severity of the weather event, Texas residents experienced widespread and prolonged power outages. Austin Energy's generation assets largely stayed online during the event and no material impacts are expected to Austin Energy's operations. The extreme conditions and outages also caused disruptions to Austin Water's water distribution systems, requiring the City of Austin to enact a citywide boil-water notice. The City is assessing storm-related impairments to City assets and submitting insurance claims. The City also anticipates receiving grant funding from the Federal Emergency Management Agency in 2021 to assist with restoration and cleanup of public property.

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

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	$ 48	65	113	8,143
Pooled investments and cash	636,261	1,023,968	1,660,229	--
Pooled investments and cash - restricted	--	137,521	137,521	--
Total pooled investments and cash	636,261	1,161,489	1,797,750	--
Investments - restricted	29,568	205,210	234,778	--
Cash held by trustee	--	2,661	2,661	--
Cash held by trustee - restricted	7,142	1,901	9,043	--
Working capital advances	--	2,724	2,724	--
Property taxes receivable, net of allowance $7,193	15,210	--	15,210	--
Accounts receivable, net of allowance $383,631	82,831	247,394	330,225	2,830
Interest receivable	1,737	2,375	4,112	--
Receivables from other governments	20,943	59	21,002	--
Receivables from other governments - restricted	--	5,045	5,045	--
Notes receivable, net of allowance $26,421	39,789	--	39,789	--
Internal balances	(102,309)	102,309	--	--
Inventories, at cost	2,304	105,262	107,566	210
Real property held for resale	26,071	--	26,071	--
Prepaid expenses	10,299	24,762	35,061	1,028
Other receivables - restricted	--	1,509	1,509	--
Other assets	2,776	4,480	7,256	--
Total current assets	772,670	1,867,245	2,639,915	12,211
Noncurrent assets:				
Cash - restricted	--	4,839	4,839	14
Pooled investments and cash - restricted	241,317	744,789	986,106	--
Investments - restricted	--	417,219	417,219	63,364
Investments held by trustee - restricted	3,481	261,025	264,506	--
Cash held by trustee - restricted	964	--	964	18,902
Interest receivable - restricted	--	1,481	1,481	--
Depreciable capital assets, net	2,699,166	7,516,816	10,215,982	190,906
Nondepreciable capital assets	606,736	1,458,129	2,064,865	12,634
Derivative instruments - energy risk management	--	96	96	--
Regulatory assets, net of accumulated amortization	--	1,326,053	1,326,053	--
Other receivables - restricted	--	5,369	5,369	--
Other long-term assets	1,190	16,758	17,948	563
Other long-term assets - restricted	--	76,736	76,736	--
Total noncurrent assets	3,552,854	11,829,310	15,382,164	286,383
Total assets	4,325,524	13,696,555	18,022,079	298,594
DEFERRED OUTFLOWS OF RESOURCES	$ 1,576,856	1,021,150	2,598,006	13,605

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

(Continued)

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

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	$ 66,087	100,502	166,589	6,907
Accounts and retainage payable from restricted assets	17,202	46,543	63,745	--
Accrued payroll	42,185	27,297	69,482	262
Accrued compensated absences	66,140	31,623	97,763	--
Claims payable	25,651	293	25,944	--
Due to other governments	--	4,354	4,354	--
Accrued interest payable from restricted assets	7	83,038	83,045	5,148
Interest payable on other debt	5,836	606	6,442	--
Bonds payable	79,703	10,235	89,938	9,430
Bonds payable from restricted assets	30,598	189,684	220,282	--
Other postemployment benefits liability	33,567	22,781	56,348	--
Capital lease obligations payable	5,117	63	5,180	--
Customer and escrow deposits payable from restricted assets	85,063	56,425	141,488	--
Accrued landfill closure and postclosure costs	--	658	658	--
Decommissioning liability payable from restricted assets	--	1,194	1,194	--
Other liabilities	46,540	6,842	53,382	5,321
Other liabilities payable from restricted assets	--	518	518	--
Total current liabilities	503,696	582,656	1,086,352	27,068
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	77,854	4,633	82,487	--
Claims payable	23,471	269	23,740	--
Commercial paper notes payable, net of discount	--	366,480	366,480	--
Bonds payable, net of discount and inclusive of premium	1,376,213	5,280,818	6,657,031	243,367
Net pension liability	2,143,680	859,634	3,003,314	--
Other postemployment benefits liability	2,054,060	1,394,086	3,448,146	--
Capital lease obligations payable	21,086	756	21,842	--
Accrued landfill closure and postclosure costs	--	10,257	10,257	--
Asset retirement obligations	518	417,962	418,480	--
Derivative instruments - energy risk management	--	76	76	--
Derivative instruments - interest rate swaps	--	30,413	30,413	--
Other liabilities	15,751	35,848	51,599	--
Other liabilities payable from restricted assets	--	1,792	1,792	--
Total noncurrent liabilities	5,712,633	8,403,024	14,115,657	243,367
Total liabilities	6,216,329	8,985,680	15,202,009	270,435
DEFERRED INFLOWS OF RESOURCES	286,661	1,713,928	2,000,589	981
NET POSITION				
Net investment in capital assets	1,999,355	2,303,795	4,303,150	8,016
Restricted for:				
Bond reserve	--	55,980	55,980	--
Capital projects	79,333	464,292	543,625	--
Debt service	24,762	123,781	148,543	32,545
Housing activities	72,288	--	72,288	--
Operating reserve	--	74,728	74,728	--
Passenger facility charges	--	68,203	68,203	--
Perpetual care:				
Nonexpendable	1,070	--	1,070	--
Public safety activities	12,318	--	12,318	--
Renewal and replacement	--	81,320	81,320	--
Strategic reserve	--	217,419	217,419	--
Tourism	18,566	--	18,566	--
Urban growth programs	20,498	--	20,498	--
Other purposes	6,670	--	6,670	--
Unrestricted (deficit)	(2,835,470)	628,579	(2,206,891)	222
Total net position	$ (600,610)	4,018,097	3,417,487	40,783

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

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

(In thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Governmental activities								
General government	$ 283,532	28,727	275	1,565	(252,965)	--	(252,965)	--
Public safety	842,450	46,482	7,538	--	(788,430)	--	(788,430)	--
Transportation, planning, and sustainability	88,948	1,277	50	43,718	(43,903)	--	(43,903)	--
Public health	278,340	11,265	160,127	--	(106,948)	--	(106,948)	--
Public recreation and culture	178,481	3,799	992	15,441	(158,249)	--	(158,249)	--
Urban growth management	162,677	27,502	21,552	--	(113,623)	--	(113,623)	--
Interest on debt	69,002	--	--	--	(69,002)	--	(69,002)	--
Total governmental activities	1,903,430	119,052	190,534	60,724	(1,533,120)	--	(1,533,120)	--
Business-type activities								
Electric	1,345,003	1,373,556	1,606	43,908	--	74,067	74,067	--
Water	318,889	305,072	--	51,562	--	37,745	37,745	--
Wastewater	263,230	261,053	--	39,841	--	37,664	37,664	--
Airport	216,183	162,010	22,105	8,778	--	(23,290)	(23,290)	--
Convention	76,382	16,655	--	--	--	(59,727)	(59,727)	--
Environmental and health services	134,680	119,692	261	--	--	(14,727)	(14,727)	--
Public recreation	9,681	6,134	--	192	--	(3,355)	(3,355)	--
Urban growth management	312,267	283,435	411	3,264	--	(25,157)	(25,157)	--
Total business-type activities	2,676,315	2,527,607	24,383	147,545	--	23,220	23,220	--
Total primary government	$ 4,579,745	2,646,659	214,917	208,269	(1,533,120)	23,220	(1,509,900)	--
Component Units	84,405	94,500	143	1,778	--	--	--	12,016
General revenues:								
Property tax					732,336	--	732,336	--
Sales tax					246,658	--	246,658	--
Franchise fees and gross receipts tax					117,810	--	117,810	--
Interest and other					41,862	37,553	79,415	1,486
Transfers-internal activities					70,698	(70,698)	--	--
Total general revenues and transfers					1,209,364	(33,145)	1,176,219	1,486
Net change in net position					(323,756)	(9,925)	(333,681)	13,502
Beginning net position					(276,854)	4,028,022	3,751,168	27,281
Ending net position					$ (600,610)	4,018,097	3,417,487	40,783

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 37	--	37
Pooled investments and cash	274,440	327,553	601,993
Investments - restricted	--	29,568	29,568
Cash held by trustee - restricted	--	6,411	6,411
Investments held by trustee - restricted	--	3,481	3,481
Property taxes receivable, net of allowance	10,509	4,701	15,210
Accounts receivable, net of allowance	63,738	16,325	80,063
Interest receivable	743	895	1,638
Receivables from other governments	5,333	15,353	20,686
Notes receivable, net of allowance	157	39,632	39,789
Due from other funds	--	107,280	107,280
Advances to other funds	--	49,250	49,250
Inventories, at cost	49	--	49
Real property held for resale	--	26,071	26,071
Prepaid items	2,830	--	2,830
Other assets	--	2,776	2,776
Total assets	357,836	629,296	987,132
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	31,889	34,044	65,933
Accrued payroll	32,521	881	33,402
Accrued compensated absences	657	--	657
Due to other funds	273	107,391	107,664
Unearned revenue	--	36,262	36,262
Advances from other funds	--	48,922	48,922
Deposits and other liabilities	3,568	87,768	91,336
Total liabilities	68,908	315,268	384,176
DEFERRED INFLOWS OF RESOURCES	17,413	7,233	24,646
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	2,879	--	2,879
Permanent funds	--	1,070	1,070
Restricted	--	299,091	299,091
Committed	--	47,182	47,182
Assigned	95,545	120,579	216,124
Unassigned	173,091	(161,127)	11,964
Total fund balances	271,515	306,795	578,310
Total liabilities, deferred inflows of resources, and fund balances	$ 357,836	629,296	987,132

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, 2020
(In thousands)

Total fund balances - Governmental funds		$ 578,310
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	5,333,854	
Less: accumulated depreciation	(2,103,100)	
		3,230,754
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Other assets		1,190
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		
Pensions	917,162	
Other postemployment benefits	646,126	
Loss on debt refundings	13,382	
		1,576,670
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Compensated absences	(131,670)	
Interest payable	(5,836)	
Bonds and other tax supported debt payable, net	(1,484,669)	
Net pension liability	(2,143,680)	
Other postemployment benefits	(2,087,627)	
Capital lease obligations payable	(20,072)	
Other liabilities	(16,319)	
		(5,889,873)
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.		
Unavailable revenue		
Property taxes and interest	15,177	
Accounts and other taxes receivable	9,469	
Pensions	(151,090)	
Other postemployment benefits	(134,832)	
Deferred gain on service concession agreement	(739)	
		(262,015)
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.		164,354
Total net position - Governmental activities		$ (600,610)

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 532,289	197,344	729,633
Sales taxes	246,658	--	246,658
Franchise fees and other taxes	37,813	79,997	117,810
Fines, forfeitures and penalties	4,447	4,058	8,505
Licenses, permits and inspections	15,069	550	15,619
Charges for services/goods	52,491	22,417	74,908
Intergovernmental	--	192,743	192,743
Property owners' participation and contributions	--	22,911	22,911
Interest and other	22,523	18,166	40,689
Total revenues	911,290	538,186	1,449,476
EXPENDITURES			
Current:			
General government	212,764	982	213,746
Public safety	540,442	7,768	548,210
Transportation, planning, and sustainability	--	3,617	3,617
Public health	96,314	160,002	256,316
Public recreation and culture	126,810	1,943	128,753
Urban growth management	45,942	96,874	142,816
Debt service:			
Principal	--	137,841	137,841
Interest	--	68,070	68,070
Fees and commissions	--	29	29
Capital outlay-capital project funds	--	359,503	359,503
Total expenditures	1,022,272	836,629	1,858,901
Deficiency of revenues under expenditures	(110,982)	(298,443)	(409,425)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	207,750	207,750
Issuance of refunding bonds	--	12,620	12,620
Bond premiums	--	27,875	27,875
Payment to refunding bond escrow agent	--	(13,238)	(13,238)
Capital leases	--	23,702	23,702
Transfers in	172,425	133,907	306,332
Transfers out	(25,564)	(164,904)	(190,468)
Total other financing sources (uses)	146,861	227,712	374,573
Net change in fund balances	35,879	(70,731)	(34,852)
Fund balances at beginning of year	235,636	377,526	613,162
Fund balances at end of year	$ 271,515	306,795	578,310

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

(In thousands)

Net change in fund balances - Governmental funds		$ (34,852)
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	359,503	
Capital outlay-other funds	19,442	
Depreciation expense	(136,182)	
Loss on disposal of capital assets	(526)	
Capital asset transfers to business-type activities, net	(35,814)	
Other asset adjustments	(34,874)	
		171,549
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	2,703	
Charges for services	1,879	
Capital asset contributions	42,947	
		47,529
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	(207,750)	
Principal repayment on long-term debt	137,841	
Issuance of refunding bonds	(12,620)	
Bond premiums	(27,875)	
Payment to refunding bond escrow agent	13,238	
		(97,166)
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	(5,580)	
Pensions	(248,845)	
Other postemployment benefits	(167,391)	
Interest and other	(5,343)	
		(427,159)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		16,343
Change in net position - Governmental activities		$ (323,756)

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

Proprietary Funds
Statement of Net Position
September 30, 2020
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
ASSETS			
Current assets:			
Cash	$ 26	5	3
Pooled investments and cash	402,292	215,952	11,968
Pooled investments and cash - restricted	38,185	60,388	20,045
Total pooled investments and cash	440,477	276,340	32,013
Investments - restricted	81,383	73,523	41,986
Cash held by trustee	--	2,661	--
Cash held by trustee - restricted	--	1,901	--
Working capital advances	2,724	--	--
Accounts receivable, net of allowance	141,686	68,029	11,855
Interest receivable	1,176	438	67
Receivables from other governments	--	59	--
Receivables from other governments - restricted	1,596	--	3,368
Due from other funds	392	301	--
Inventories, at cost	98,220	2,080	1,969
Prepaid items	21,566	906	790
Other receivables - restricted	--	--	1,509
Other assets	3,500	--	980
Total current assets	792,746	426,243	94,540
Noncurrent assets:			
Cash - restricted	4,839	--	--
Pooled investments and cash - restricted	65,646	56,438	488,634
Advances to other funds	6,105	1,202	--
Advances to other funds - restricted	--	--	2
Investments - restricted	297,288	48,032	61,636
Investments held by trustee - restricted	235,554	25,471	--
Interest receivable - restricted	464	49	780
Depreciable capital assets, net	2,669,442	3,238,652	1,263,357
Nondepreciable capital assets	298,395	557,733	166,109
Derivative instruments - energy risk management	96	--	--
Regulatory assets, net of accumulated amortization	941,174	384,879	--
Other receivables - restricted	5,369	--	--
Other long-term assets	740	--	16,018
Other long-term assets - restricted	52,945	23,791	--
Total noncurrent assets	4,578,057	4,336,247	1,996,536
Total assets	5,370,803	4,762,490	2,091,076
DEFERRED OUTFLOWS OF RESOURCES	$ 454,456	192,499	78,746

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	11
Pooled investments and cash	393,756	1,023,968	269,660
Pooled investments and cash - restricted	18,903	137,521	--
Total pooled investments and cash	412,659	1,161,489	269,660
Investments - restricted	8,318	205,210	--
Cash held by trustee	--	2,661	--
Cash held by trustee - restricted	--	1,901	1,695
Working capital advances	--	2,724	--
Accounts receivable, net of allowance	25,824	247,394	2,768
Interest receivable	694	2,375	99
Receivables from other governments	--	59	257
Receivables from other governments - restricted	81	5,045	--
Due from other funds	1,669	2,362	--
Inventories, at cost	2,993	105,262	2,255
Prepaid expenses	1,500	24,762	7,469
Other receivables - restricted	--	1,509	--
Other assets	--	4,480	--
Total current assets	453,769	1,767,298	284,214
Noncurrent assets:			
Cash - restricted	--	4,839	--
Pooled investments and cash - restricted	134,071	744,789	5,925
Advances to other funds	79	7,386	3
Advances to other funds - restricted	47	49	--
Investments - restricted	10,263	417,219	--
Investments held by trustee - restricted	--	261,025	--
Interest receivable - restricted	188	1,481	--
Depreciable capital assets, net	345,365	7,516,816	74,204
Nondepreciable capital assets	435,892	1,458,129	944
Derivative instruments - energy risk management	--	96	--
Regulatory assets, net of accumulated amortization	--	1,326,053	--
Other receivables - restricted	--	5,369	--
Other long-term assets	--	16,758	--
Other long-term assets - restricted	--	76,736	--
Total noncurrent assets	925,905	11,836,745	81,076
Total assets	1,379,674	13,604,043	365,290
DEFERRED OUTFLOWS OF RESOURCES	295,449	1,021,150	186

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2020
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 86,180	3,156	2,570
Accounts and retainage payable from restricted assets	16,815	17,414	7,718
Accrued payroll	10,144	5,363	1,865
Accrued compensated absences	11,867	5,839	2,734
Claims payable	242	51	--
Due to other funds	--	--	171
Due to other governments	4,349	--	5
Accrued interest payable from restricted assets	28,253	35,238	19,033
Interest payable on other debt	60	63	--
Bonds payable	--	--	2
Bonds payable from restricted assets	78,890	74,609	26,875
Other postemployment benefits liability	6,818	4,655	2,096
Capital lease obligations payable	63	--	--
Customer and escrow deposits payable from restricted assets	36,991	10,329	1,084
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	1,194	--	--
Other liabilities	1,133	1,905	3,643
Other liabilities payable from restricted assets	517	--	--
Total current liabilities	283,516	158,622	67,796
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	1,633	973	64
Claims payable	10	259	--
Advances from other funds	--	271	--
Advances from other funds payable from restricted assets	--	6,105	--
Commercial paper notes payable, net of discount	162,480	204,000	--
Bonds payable, net of discount and inclusive of premium	1,821,102	2,195,394	1,103,004
Net pension liability	325,229	162,848	62,862
Other postemployment benefits liability	417,226	284,817	128,271
Capital lease obligations payable	756	--	--
Accrued landfill closure and postclosure costs	--	--	--
Asset retirement obligations	416,680	1,282	--
Derivative instruments - energy risk management	76	--	--
Derivative instruments - interest rate swaps	--	20,033	--
Other liabilities	34,108	--	1,740
Other liabilities payable from restricted assets	1,792	--	--
Total noncurrent liabilities	3,181,092	2,875,982	1,295,941
Total liabilities	3,464,608	3,034,604	1,363,737
DEFERRED INFLOWS OF RESOURCES	$ 486,654	979,578	183,838

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
LIABILITIES			
Current liabilities:			
Accounts payable	8,596	100,502	17,356
Accounts and retainage payable from restricted assets	4,596	46,543	--
Accrued payroll	9,925	27,297	8,783
Accrued compensated absences	11,183	31,623	9,054
Claims payable	--	293	25,651
Due to other funds	1,807	1,978	--
Due to other governments	--	4,354	--
Accrued interest payable from restricted assets	514	83,038	7
Interest payable on other debt	483	606	--
Bonds payable	10,233	10,235	436
Bonds payable from restricted assets	9,310	189,684	--
Other postemployment benefits liability	9,212	22,781	--
Capital lease obligations payable	--	63	1,974
Customer and escrow deposits payable from restricted assets	8,021	56,425	687
Accrued landfill closure and postclosure costs	658	658	--
Decommissioning liability payable from restricted assets	--	1,194	--
Other liabilities	161	6,842	2,750
Other liabilities payable from restricted assets	1	518	--
Total current liabilities	74,700	584,634	66,698
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	1,963	4,633	2,613
Claims payable	--	269	23,471
Advances from other funds	1,390	1,661	--
Advances from other funds payable from restricted assets	--	6,105	--
Commercial paper notes payable, net of discount	--	366,480	--
Bonds payable, net of discount and inclusive of premium	161,318	5,280,818	1,409
Net pension liability	308,695	859,634	--
Other postemployment benefits liability	563,772	1,394,086	--
Capital lease obligations payable	--	756	4,157
Accrued landfill closure and postclosure costs	10,257	10,257	--
Asset retirement obligations	--	417,962	518
Derivative instruments - energy risk management	--	76	--
Derivative instruments - interest rate swaps	10,380	30,413	--
Other liabilities	--	35,848	--
Other liabilities payable from restricted assets	--	1,792	--
Total noncurrent liabilities	1,057,775	8,410,790	32,168
Total liabilities	1,132,475	8,995,424	98,866
DEFERRED INFLOWS OF RESOURCES	63,858	1,713,928	--

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

Proprietary Funds
Statement of Net Position
September 30, 2020
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
NET POSITION			
Net investment in capital assets	$ 626,987	674,126	391,803
Restricted for:			
Bond reserve	32,034	11,747	4,930
Capital projects	51,244	46,171	232,919
Debt service	53,130	38,286	22,956
Operating reserve	--	50,509	18,961
Passenger facility charges	--	--	68,203
Renewal and replacement	70,293	--	10,000
Strategic reserve	217,419	--	--
Unrestricted	822,890	119,968	(127,525)
Total net position	$ 1,873,997	940,807	622,247
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	37,305	21,977	8,136
Total net position - Business-type activities	$ 1,911,302	962,784	630,383

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
NET POSITION			
Net investment in capital assets	610,879	2,303,795	67,172
Restricted for:			
Bond reserve	7,269	55,980	--
Capital projects	133,958	464,292	5,925
Debt service	9,409	123,781	--
Operating reserve	5,258	74,728	--
Passenger facility charges	--	68,203	--
Renewal and replacement	1,027	81,320	--
Strategic reserve	--	217,419	--
Unrestricted	(289,010)	526,323	193,513
Total net position	478,790	3,915,841	266,610
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	34,838	102,256	
Total net position - Business-type activities	513,628	4,018,097	

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, 2020
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
OPERATING REVENUES			
Utility services	$ 1,373,556	566,125	--
User fees and rentals	--	--	144,637
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,373,556	566,125	144,637
OPERATING EXPENSES			
Operating expenses before depreciation	1,132,315	303,261	136,824
Depreciation and amortization	286,142	127,570	42,470
Total operating expenses	1,418,457	430,831	179,294
Operating income (loss)	(44,901)	135,294	(34,657)
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	16,334	5,315	8,435
Interest on revenue bonds and other debt	(70,641)	(83,811)	(40,209)
Passenger facility charges	--	--	17,373
Loss on in-substance defeasance	--	(2,267)	--
Cost (recovered) to be recovered in future years	138,250	(69,835)	--
Other nonoperating revenue (expense)	2,397	1,211	23,111
Total nonoperating revenues (expenses)	86,340	(149,387)	8,710
Income (loss) before contributions and transfers	41,439	(14,093)	(25,947)
Capital contributions	43,908	91,888	8,778
Transfers in	168	53	--
Transfers out	(120,070)	(51,598)	(24)
Change in net position	(34,555)	26,250	(17,193)
Beginning net position	1,908,552	914,557	639,440
Ending net position	$ 1,873,997	940,807	622,247
Reconciliation to government-wide Statement of Activities			
Change in net position	(34,555)	26,250	(17,193)
Adjustment to consolidate internal service activities	5,054	3,414	1,150
Change in net position - Business-type activities	$ (29,501)	29,664	(16,043)

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,939,681	--
User fees and rentals	425,916	570,553	--
Billings to departments	--	--	502,169
Employee contributions	--	--	45,471
Operating revenues from other governments	--	--	5,434
Other operating revenues	--	--	12,707
Total operating revenues	425,916	2,510,234	565,781
OPERATING EXPENSES			
Operating expenses before depreciation	502,701	2,075,101	510,176
Depreciation and amortization	30,398	486,580	13,805
Total operating expenses	533,099	2,561,681	523,981
Operating income (loss)	(107,183)	(51,447)	41,800
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	7,469	37,553	1,173
Interest on revenue bonds and other debt	(6,305)	(200,966)	(86)
Passenger facility charges	--	17,373	--
Loss on in-substance defeasance	--	(2,267)	--
Cost (recovered) to be recovered in future years	--	68,415	--
Other nonoperating revenue (expense)	(7,411)	19,308	(487)
Total nonoperating revenues (expenses)	(6,247)	(60,584)	600
Income (loss) before contributions and transfers	(113,430)	(112,031)	42,400
Capital contributions	37,587	182,161	9,752
Transfers in	86,697	86,918	677
Transfers out	(12,445)	(184,137)	(19,322)
Change in net position	(1,591)	(27,089)	33,507
Beginning net position	480,381	3,942,930	233,103
Ending net position	478,790	3,915,841	266,610
Reconciliation to government-wide Statement of Activities			
Change in net position	(1,591)	(27,089)	
Adjustment to consolidate internal service activities	7,546	17,164	
Change in net position - Business-type activities	5,955	(9,925)	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2020
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,405,141	561,505	130,420
Cash received from other funds	29,865	8,292	--
Cash payments to suppliers for goods and services	(725,664)	(68,802)	(31,521)
Cash payments to other funds	(60,783)	(75,943)	(34,366)
Cash payments to employees for services	(227,216)	(121,472)	(49,704)
Cash payments to claimants/beneficiaries	(46)	(108)	--
Taxes collected and remitted to other governments	(42,554)	--	(1)
Net cash provided by operating activities	378,743	303,472	14,828
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	168	53	--
Transfers out	(120,070)	(51,598)	(24)
Collections from other sources	--	214	--
Loans to other funds	--	--	--
Loans from other funds	--	--	--
Loan repayments to other funds	--	(161)	(8)
Loan repayments from other funds	445	301	11
Collections from other governments	5,163	1,664	29,284
Net cash provided (used) by noncapital financing activities	(114,294)	(49,527)	29,263
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	135,850	101,330	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--
Proceeds from the sale of revenue bonds	--	21,200	--
Principal paid on long-term debt	(79,140)	(58,907)	(15,245)
Proceeds from the sale of capital assets	834	--	--
Interest paid on revenue bonds and other debt	(73,716)	(104,927)	(46,483)
Passenger facility charges	--	--	20,823
Acquisition and construction of capital assets	(265,971)	(179,683)	(111,657)
Contributions from state and federal governments	--	10	8,778
Contributions in aid of construction	43,908	37,676	--
Bond issuance costs	--	(490)	--
Bond premiums	--	--	--
Cash paid for bond defeasance	--	(40,756)	--
Bonds issued for advanced refundings of debt	9	--	1
Cash paid for bond refunding escrow	(9)	--	(2)
Cash paid to payoff commercial paper	--	--	--
Cash paid for nuclear fuel inventory	(16,321)	--	--
Net cash provided (used) by capital and related financing activities	(254,556)	(224,547)	(143,785)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(533,077)	(230,983)	(73,982)
Proceeds from sale and maturities of investment securities	530,785	202,671	61,718
Interest on investments	7,830	4,616	8,666
Net cash provided (used) by investing activities	5,538	(23,696)	(3,598)
Net increase (decrease) in cash and cash equivalents	15,431	5,702	(103,292)
Cash and cash equivalents, beginning	495,557	331,643	623,942
Cash and cash equivalents, ending	$ 510,988	337,345	520,650

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	416,833	2,513,899	64,116
Cash received from other funds	5,238	43,395	502,169
Cash payments to suppliers for goods and services	(100,555)	(926,542)	(130,029)
Cash payments to other funds	(82,347)	(253,439)	(25,884)
Cash payments to employees for services	(237,163)	(635,555)	(196,198)
Cash payments to claimants/beneficiaries	--	(154)	(168,051)
Taxes collected and remitted to other governments	--	(42,555)	--
Net cash provided by operating activities	2,006	699,049	46,123
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	86,567	86,788	--
Transfers out	(11,714)	(183,406)	(19,264)
Collections from other sources	--	214	--
Loans to other funds	(729)	(729)	--
Loans from other funds	737	737	--
Loan repayments to other funds	(301)	(470)	--
Loan repayments from other funds	116	873	--
Collections from other governments	1,046	37,157	--
Net cash provided (used) by noncapital financing activities	75,722	(58,836)	(19,264)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	237,180	--
Proceeds from the sale of general obligation bonds and other tax supported debt	5,035	5,035	--
Proceeds from the sale of revenue bonds	--	21,200	--
Principal paid on long-term debt	(26,629)	(179,921)	(4,132)
Proceeds from the sale of capital assets	--	834	--
Interest paid on revenue bonds and other debt	(7,101)	(232,227)	(118)
Passenger facility charges	--	20,823	--
Acquisition and construction of capital assets	(51,035)	(608,346)	(3,231)
Contributions from state and federal governments	--	8,788	--
Contributions in aid of construction	2,599	84,183	--
Bond issuance costs	(54)	(544)	--
Bond premiums	743	743	--
Cash paid for bond defeasance	--	(40,756)	--
Bonds issued for advanced refundings of debt	8,442	8,452	--
Cash paid for bond refunding escrow	(8,406)	(8,417)	--
Cash paid to payoff commercial paper	--	--	--
Cash paid for nuclear fuel inventory	--	(16,321)	--
Net cash provided (used) by capital and related financing activities	(76,406)	(699,294)	(7,481)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(14,442)	(852,484)	--
Proceeds from sale and maturities of investment securities	17,972	813,146	--
Interest on investments	7,896	29,008	1,321
Net cash provided (used) by investing activities	11,426	(10,330)	1,321
Net increase (decrease) in cash and cash equivalents	12,748	(69,411)	20,699
Cash and cash equivalents, beginning	534,013	1,985,155	256,592
Cash and cash equivalents, ending	546,761	1,915,744	277,291

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2020
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water**	**Airport**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (44,901)	135,294	(34,657)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	286,142	127,570	42,470
Change in assets and liabilities:			
Decrease in working capital advances	(326)	--	--
(Increase) decrease in accounts receivable	5,619	4,796	(8,837)
Increase in allowance for doubtful accounts	1,520	206	72
Increase in receivables from other governments	--	--	--
(Increase) decrease in inventory	(18,486)	(219)	2,056
(Increase) decrease in prepaid expenses and other assets	31,738	(154)	(43)
Increase in advances to other funds	--	--	--
Decrease in other long-term assets	20,893	--	1,030
(Increase) decrease in deferred outflows	(76,573)	(65,653)	(29,488)
Decrease in accounts payable	(1,249)	(2,590)	(1,843)
Increase in accrued payroll and compensated absences	3,828	2,525	533
Increase in claims payable	20	--	--
Increase (decrease) in customer deposits	13,292	(124)	(96)
Increase (decrease) in net pension liability	6,450	(3,723)	2,805
Increase in other postemployment benefits liability	129,883	90,409	41,257
Increase (decrease) in other liabilities	95	153	1,755
Increase (decrease) in deferred inflows	20,798	14,982	(2,186)
Total adjustments	423,644	168,178	49,485
Net cash provided by operating activities	$ 378,743	303,472	14,828
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital assets contributed from other funds	$ --	485	--
Capital assets contributed to other funds	--	--	--
Contributed facilities	--	53,717	--
Increase in the fair value of investments	428	--	--
Amortization of bond (discounts) premiums	10,353	21,986	11,779
Amortization of deferred loss on refundings	(4,274)	(5,072)	(2,902)
Gain (loss) on disposal of assets	(2,802)	(151)	--
Costs (recovered) to be recovered	138,250	(69,835)	--
Transfers from other funds	--	--	--
Transfers to other funds	--	--	--

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(107,183)	(51,447)	41,800
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	30,398	486,580	13,805
Change in assets and liabilities:			
Decrease in working capital advances	--	(326)	--
(Increase) decrease in accounts receivable	(3,212)	(1,634)	(537)
Increase in allowance for doubtful accounts	797	2,595	83
Increase in receivables from other governments	--	--	943
(Increase) decrease in inventory	140	(16,509)	136
(Increase) decrease in prepaid expenses and other assets	(209)	31,332	(3,180)
Increase in advances to other funds	--	--	15
Decrease in other long-term assets	--	21,923	--
(Increase) decrease in deferred outflows	(140,656)	(312,370)	23
Decrease in accounts payable	(853)	(6,535)	(12,267)
Increase in accrued payroll and compensated absences	4,017	10,903	3,623
Increase in claims payable	--	20	1,882
Increase (decrease) in customer deposits	(1,432)	11,640	54
Increase (decrease) in net pension liability	15,590	21,122	--
Increase in other postemployment benefits liability	183,004	444,553	--
Increase (decrease) in other liabilities	(1,188)	815	(257)
Increase (decrease) in deferred inflows	22,793	56,387	--
Total adjustments	109,189	750,496	4,323
Net cash provided by operating activities	2,006	699,049	46,123
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital assets contributed from other funds	34,988	35,473	9,752
Capital assets contributed to other funds	(7,664)	(7,664)	--
Contributed facilities	--	53,717	--
Increase in the fair value of investments	--	428	--
Amortization of bond (discounts) premiums	1,331	45,449	31
Amortization of deferred loss on refundings	(698)	(12,946)	--
Gain (loss) on disposal of assets	(492)	(3,445)	37
Costs (recovered) to be recovered	--	68,415	--
Transfers from other funds	130	130	677
Transfers to other funds	(731)	(731)	(58)

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

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 6,409	616
Interest Receivable	10	--
Investments held by trustee	--	6,356
Other assets	121	--
Total assets	6,540	6,972
LIABILITIES		
Accounts payable	25	--
Due to other governments	--	199
Deposits and other liabilities	1,734	6,773
Total liabilities	1,759	6,972
NET POSITION		
Held in trust	4,781	
Total net position	$ 4,781	

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

	Private-Purpose Trust
ADDITIONS	
Contributions	$ 11,478
Interest and other	38
Total additions	11,516
DEDUCTIONS	
Benefit payments	7,527
Total deductions	7,527
Change in net position	3,989
Beginning net position	792
Ending net position	$ 4,781

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 Councilmembers 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. 83, No. 85 and No. 86, No. 88 and No. 89, and No. 95. In fiscal year 2020, the City implemented the following GASB Statements:

GASB Statement	Impact
95 – "Postponement of the Effective Dates of Certain Authoritative Guidance"	This statement provides temporary relief to governments and other stakeholders due to the COVID-19 pandemic by postponing the effective dates of several statements. GASB Statements No. 84 and No. 90-93, Implementation Guides 2017-3, 2018-1, 2019-1, and 2019-2 are delayed by one year. GASB Statement No. 87 and Implementation Guide 2019-3 are delayed by 18 months. These delays do not have any impact on the current financial report.

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	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
Austin Housing Finance Corporation (AHFC)	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	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
Urban Renewal Agency (URA)	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. 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 as such is reported as a blended component unit in the Austin Energy enterprise fund. Austin Energy staff serve as officers of the corporation. In addition, Austin Energy is fiscally responsible for the obligations of NP. 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.

Discretely Presented Component Units	*Description of Activities, Relationship to City, and Key Inclusion Criteria*
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 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. 8th 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.

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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
b -- Government-wide and Fund Financial Statements, continued

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 (private-purpose trust and agency). By definition, fiduciary fund assets are held for the benefit of a third party and cannot be used to address activities or obligations of the primary government; therefore, they are not included in the government-wide statements.

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.

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.

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

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 events 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.

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

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

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

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 the October 1 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, 2020 (in thousands):

Governmental activities	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Charges for Services	$ 365,234	32	3,044	368,310
Fines	13,374	120	--	13,494
Taxes	47,152	9,905	--	57,057
Other Governments	--	3,584	--	3,584
Other	60	4,658	--	4,718
Allowance for doubtful accounts	(362,082)	(1,974)	(276)	(364,332)
Total	$ 63,738	16,325	2,768	82,831

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	$ 153,559	70,712	13,786	28,636	266,693
Allowance for doubtful accounts	(11,873)	(2,683)	(1,931)	(2,812)	(19,299)
Total	$ 141,686	68,029	11,855	25,824	247,394

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:

Fund	Inventory Valuation Method
General Fund	First-in, first-out
Austin Energy	
Fuel oil – Distillate #2	Last-in, first-out
Wire Reels	Cost
Other inventories	Average cost
All others	Average cost

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

Restricted Assets -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since Austin Energy and Austin Water 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):

		Business-Type Activities				
	Governmental Activities	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 63,975	70,603	101,090	406,950	134,258	776,876
Customer and escrow deposits	85,063	36,991	9,879	1,084	7,719	140,736
Debt service	30,598	81,383	73,523	47,756	10,012	243,272
Federal receivables	--	2,678	--	3,368	81	6,127
Housing activities	20,895	--	--	--	--	20,895
Operating reserve account	--	--	50,509	18,961	8,464	77,934
Passenger facility charge account	--	--	--	68,203	--	68,203
Perpetual care	1,070	--	--	--	--	1,070
Plant decommissioning	--	267,051	--	--	--	267,051
Public health activities	34,651	--	--	--	--	34,651
Public safety activities	12,300	--	--	--	--	12,300
Renewal and replacement account	--	70,293	--	10,000	1,027	81,320
Revenue bond reserve	--	32,012	54,592	61,636	10,263	158,503
Revolving loan reserve	--	4,839	--	--	--	4,839
Strategic reserve	--	217,419	--	--	--	217,419
Tourism	10,534	--	--	--	--	10,534
Other purposes	23,386	--	--	--	--	23,386
Total	$ 282,472	783,269	289,593	617,958	171,824	2,145,116

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):

		Business-type Activities			
Assets	**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 $20.7 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.

Austin Energy acquired Nacogdoches Power, LLC in 2019, which included the purchase of a 115 MW biomass power plant. Through the acquisition, Austin Energy receives several key economic benefits, including exchanging an escalating capacity payment for a lower, fixed debt service payment and capturing operating efficiencies and cost reductions as the facility owner.

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 in connection with certain real estate transactions and deposits used as collateral. 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.

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

The following chart reflects the activities included in deferred outflows and inflows (in thousands).

	Deferred Outflows		Deferred Inflows	
Funds	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	$ 129	--	--	--
Austin Energy	--	198,478	--	--
Austin Water	--	522	--	--
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	--	76	--	96
Austin Water	--	20,033	--	--
Nonmajor enterprise	--	10,380	--	--
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	--	36,995	--	--
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	13,439	--	--	--
Austin Energy	--	13,219	--	--
Austin Water	--	44,752	--	--
Airport	--	14,994	--	--
Nonmajor enterprise	--	6,213	--	123
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	646,126	--	134,832	--
Austin Energy	--	130,742	--	31,251
Austin Water	--	89,250	--	20,413
Airport	--	46,139	--	7,513
Nonmajor enterprise	--	196,747	--	36,464
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	917,162	--	151,090	--
Austin Energy	--	74,946	--	28,731
Austin Water	--	37,942	--	21,487
Airport	--	17,613	--	5,553
Nonmajor enterprise	--	82,109	--	27,271
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	--	--	--	426,576
Austin Water	--	--	--	937,678
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	--	--	739	--
Airport	--	--	--	170,772
Total	$ 1,576,856	1,021,150	286,661	1,713,928

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

	Deferred Outflows		Deferred Inflows	
Funds	**Governmental Activities**	**Business-type Activities**	**Governmental Activities**	**Business-type Activities**
Totals by Fund				
Governmental Activities	$ 1,576,856	--	286,661	--
Austin Energy	--	454,456	--	486,654
Austin Water	--	192,499	--	979,578
Airport	--	78,746	--	183,838
Nonmajor Enterprise	--	295,449	--	63,858
Grand Total	$ 1,576,856	1,021,150	286,661	1,713,928

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues ($24.6 million) that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

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 financials 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, 2020, the City's total OPEB liability for these retiree benefits was approximately $3.5 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 Waster 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	$ 4,894
Austin Water	1,564
Airport	72
Nonmajor Enterprise	1,798

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, 2020. The amount of unbilled revenue recorded, as of September 30, 2020, was $30.7 million. Austin Water records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2020. The amount of unbilled revenue reported in accounts receivable as of September 30, 2020 was $17.6 million for water and $14.2 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	$ 12,235
Nonmajor Enterprise	1,763

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 $61,000 in fiscal year 2020 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 Special Revenue	Debt Service	Capital Projects	Permanent	Total
Nonspendable						
Inventory	$ 49	--	--	--	--	49
Prepaid items	2,830	--	--	--	--	2,830
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	2,879	--	--	--	1,070	3,949
Restricted						
Municipal court services	--	1,172	--	--	--	1,172
Fire special purpose	--	57	--	--	--	57
Police special purpose	--	12,261	--	--	--	12,261
Public health services	--	880	--	--	--	880
Library services	--	4,618	--	--	--	4,618
Tourism programs	--	19,813	--	--	--	19,813
Affordable housing programs	--	72,288	--	--	--	72,288
Urban growth programs	--	19,251	--	--	--	19,251
Capital construction	--	--	--	137,466	--	137,466
Debt service	--	--	31,285	--	--	31,285
Total Restricted	--	130,340	31,285	137,466	--	299,091
Committed						
Tourism programs	--	101	--	--	--	101
Affordable housing programs	--	678	--	--	--	678
Urban growth programs	--	46,403	--	--	--	46,403
Total Committed	--	47,182	--	--	--	47,182
Assigned						
Municipal court services	3,326	--	--	--	--	3,326
EMS activities	1,171	--	--	--	--	1,171
Fire activities	654	--	--	--	--	654
Police activities	8,613	--	--	--	--	8,613
Public health services	26,944	--	--	--	--	26,944
Library services	2,186	--	--	--	--	2,186
Parks services	1,996	--	--	--	--	1,996
Affordable housing programs	10,038	99	--	--	--	10,137
Urban growth programs	40,617	364	--	--	--	40,981
Capital construction	--	--	--	120,116	--	120,116
Total Assigned	95,545	463	--	120,116	--	216,124
Unassigned	173,091	(13,795)	--	(147,332)	--	11,964
Total Fund Balance	$ 271,515	164,190	31,285	110,250	1,070	578,310

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 three reserve funds; a budget stabilization reserve, an emergency reserve, and a property tax reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2020, the budget stabilization reserve reports a balance of $93.5 million, the emergency reserve maintains a balance of six percent of total General Fund requirements, or $65.3 million, and the property tax reserve has a balance of $4.5 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other one-time costs, 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. Through the end of the fiscal year, the City expended $137 million of the CARES CRF funding and classified the remainder as unearned revenue. 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.

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, 2020 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	**Restricted**
General Fund	$ 274,440	--
Nonmajor governmental funds	327,553	--
Austin Energy	402,292	103,831
Austin Water	215,952	116,826
Airport	11,968	508,679
Nonmajor enterprise funds	393,756	152,974
Internal service funds	269,660	5,925
Fiduciary funds	7,025	--
Subtotal pooled investments and cash	1,902,646	888,235
Total pooled investments and cash	$ 2,790,881	

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 2020.

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). The State Comptroller oversees TexPool/Texpool Prime, with Federated Hermes managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and 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, 2020, TexPool, Texpool Prime, TexasDAILY, TexStar, and Texas CLASS had a weighted average maturity of 38 days, 49 days, 57 days, 44 days, and 56 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 measures 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, 2020:

- U.S. Treasury securities of $871.9 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).
- U.S. Agency securities of $802.4 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, 2020, the City presented Money Market Funds of $119.2 million, LGIPs of $1.65 billion valued using amortized cost, and LGIPs of $277.6 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2020 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 29,568	466,543	--	496,111
Money Market Funds	3,481	109,367	6,356	119,204
US Treasury Notes	--	137,064	--	137,064
US Agency Bonds	--	170,480	--	170,480
Total non-pooled investments	33,049	883,454	6,356	922,859
Pooled investments:				
Local Government Investment Pools	451,511	980,804	3,584	1,435,899
US Treasury Notes	231,075	501,941	1,850	734,866
US Agency Bonds	198,708	431,634	1,591	631,933
Total pooled investments	881,294	1,914,379	7,025	2,802,698
Total investments	$ 914,343	2,797,833	13,381	3,725,557

Concentration of Credit Risk

At September 30, 2020, 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 ($241.8 or 6%), and Federal Home Loan Mortgage Corporation ($415.3 or 11%).

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, 2020, 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	$ 451,511	980,804	3,584	1,435,899	1
US Treasury Notes	231,075	501,941	1,850	734,866	295
US Agency Bonds	198,708	431,634	1,591	631,933	580
Total Operating funds	881,294	1,914,379	7,025	2,802,698	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	29,568	--	--	29,568	1
Utility (1)					
Local Government Investment Pools	--	154,906	--	154,906	1
Airport					
Local Government Investment Pools	--	41,986	--	41,986	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	8,318	--	8,318	1
Total Debt service funds	29,568	205,210	--	234,778	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	--	41,926	--	41,926	1
Money Market Funds	--	4,659	--	4,659	1
Airport					
Local Government Investment Pools	--	61,636	--	61,636	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	10,263	--	10,263	1
Total Debt service reserve funds	--	118,484	--	118,484	
Special projects/purpose funds					
Austin Energy Strategic Reserve					
Local Government Investment Pools	--	122,601	--	122,601	1
US Treasury Notes	--	35,597	--	35,597	486
US Agency Bonds	--	120,288	--	120,288	645
Total Austin Energy Strategic Reserve	--	278,486	--	278,486	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	--	83,895	--	83,895	1
US Treasury Notes	--	101,467	--	101,467	277
US Agency Bonds	--	50,192	--	50,192	269
Total Austin Energy NDTF	--	235,554	--	235,554	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	24,907	--	24,907	1
Special Projects - Other					
Money Market Funds	3,481	20,813	6,356	30,650	1
Total Special projects/purpose funds	3,481	559,760	6,356	569,597	
Total funds	$ 914,343	2,797,833	13,381	3,725,557	

(1) Includes combined pledge debt service

Credit Risk

At September 30, 2020, City funds held investments in LGIPs and Money Market Funds rated AAAm by Standard & Poor's, 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.

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

Concentration of Credit Risk

Operating Funds
At September 30, 2020, 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 ($216.7 or 8%) and Federal Home Loan Mortgage Corporation ($330.2 or 12%).

Special Projects or Special Purpose Funds
At September 30, 2020, 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 ($25.1 or 9%), and Federal Home Loan Mortgage Corporation ($85.2 or 31%).

At September 30, 2020, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($30 or 13%) and Federal National Mortgage Association ($20.2 or 9%).

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, 2020, 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 208 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 securities.

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, 2020, 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 341 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, 2020, the dollar weighted average maturity was 177 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, 2020, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 41,203	892,920	6,356	940,479
Pooled investments and cash	882,777	1,917,600	7,025	2,807,402
Total investments and cash	923,980	2,810,520	13,381	3,747,881
Unrestricted cash	48	2,726	--	2,774
Restricted cash	8,106	6,740	--	14,846
Pooled investments and cash	882,777	1,917,600	7,025	2,807,402
Investments	33,049	883,454	6,356	922,859
Total	$ 923,980	2,810,520	13,381	3,747,881

The bank balance of the portfolio exceeds the book balance by approximately $17 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, 2020 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 48	65	113
Restricted	--	4,839	4,839
Cash held by trustee			
Unrestricted	--	2,661	2,661
Restricted	8,106	1,901	10,007
Non-pooled cash	8,154	9,466	17,620
Pooled cash	1,483	3,220	4,703
Total deposits	$ 9,637	12,686	22,323

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, 2020.

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, 2019, upon which the 2020 levy was based, was $165,194,107,887.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2020, 99.17% of the current tax levy (October 1, 2019) 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. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, State statute allows qualified voters of the City to petition for an election to determine whether to limit the tax rate increase to no more than 8%. 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, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2020, was $0.3337 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, 2020 was $0.1094 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $0.6663 per $100 assessed valuation and could levy approximately $1,100,688,341 in additional taxes from the assessed valuation of $165,194,107,887 before the legislative limit is reached.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2020, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,081,970	203,268	(816)	1,284,422
Plant and equipment	272,507	37,624	(347)	309,784
Vehicles	154,836	20,568	(8,413)	166,991
Infrastructure	3,084,822	59,397	--	3,144,219
Total depreciable capital assets	4,594,135	320,857	(9,576)	4,905,416
Less accumulated depreciation for				
Building and improvements	(423,710)	(33,595)	594	(456,711)
Plant and equipment	(193,254)	(18,573)	341	(211,486)
Vehicles	(99,293)	(13,801)	8,102	(104,992)
Infrastructure	(1,349,540)	(83,521)	--	(1,433,061)
Total accumulated depreciation	(2,065,797)	(149,490) (2)	9,037	(2,206,250)
Depreciable capital assets, net	2,528,338	171,367	(539)	2,699,166
Nondepreciable capital assets				
Land and improvements	400,731	42,043	(33,428)	409,346
Arts and treasures	11,018	646	--	11,664
Library collections	18,167	--	--	18,167
Construction in progress	137,523	326,346	(296,310)	167,559
Total nondepreciable assets	567,439	369,035	(329,738)	606,736
Total capital assets	$ 3,095,777	540,402	(330,277)	3,305,902

(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	$ 6,870
Public safety	16,615
Transportation, planning and sustainability	64,398
Public health	1,964
Public recreation and culture	22,449
Urban growth management	23,887
Internal service funds	13,307
Total increases in accumulated depreciation/amortization	$ 149,490

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2020, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 3,055,207	190,179	(7,282)	3,238,104
Plant and equipment	4,200,757	131,347	(1,340)	4,330,764
Vehicles	247,019	24,476	(11,098)	260,397
Electric plant	5,555,550	201,667	(7,489)	5,749,728
Non-electric plant	267,727	18,566	(793)	285,500
Nuclear fuel	419,431	16,321	--	435,752
Water rights	100,000	--	--	100,000
Total depreciable capital assets	13,845,691	582,556	(28,002)	14,400,245
Less accumulated depreciation/amortization for				
Building and improvements	(915,338)	(72,564)	24	(987,878)
Plant and equipment	(1,776,483)	(109,663)	1,210	(1,884,936)
Vehicles	(164,545)	(19,316)	9,254	(174,607)
Electric plant	(3,049,522)	(273,213)	7,489	(3,315,246)
Non-electric plant	(100,686)	(10,928)	793	(110,821)
Nuclear fuel	(370,638)	(18,561)	--	(389,199)
Water rights	(19,754)	(988)	--	(20,742)
Total accumulated depreciation/amortization	(6,396,966)	(505,233) (2)	18,770	(6,883,429)
Depreciable capital assets, net	7,448,725	77,323	(9,232)	7,516,816
Nondepreciable capital assets				
Land and improvements	744,329	43,065	--	787,394
Arts and treasures	4,098	15	--	4,113
Construction in progress	600,104	562,006	(518,603)	643,507
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	1,371,646	605,086	(518,603)	1,458,129
Total capital assets	$ 8,820,371	682,409	(527,835)	8,974,945

(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	$ 286,142
Water	61,436
Wastewater	66,134
Airport	42,470
Convention	8,588
Environmental and health services	10,686
Public recreation	660
Urban growth management	10,464
Total business-type activities depreciation expense	486,580
Transferred accumulated depreciation	92
Current year amortization included in operating expense	18,561
Total increases in accumulated depreciation/amortization	$ 505,233

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2020, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	$ 35,103	5,782	(2,128)	38,757
Electric plant	5,555,550	201,667	(7,489)	5,749,728
Non-electric plant	267,727	18,566	(793)	285,500
Nuclear fuel	419,431	16,321	--	435,752
Total depreciable capital assets	6,277,811	242,336	(10,410)	6,509,737
Less accumulated depreciation/amortization for				
Vehicles	(25,141)	(2,001)	2,113	(25,029)
Electric plant	(3,049,522)	(273,213)	7,489	(3,315,246)
Non-electric plant	(100,686)	(10,928)	793	(110,821)
Nuclear fuel	(370,638)	(18,561)	--	(389,199)
Total accumulated depreciation/amortization	(3,545,987)	(304,703) (1)	10,395	(3,840,295)
Depreciable capital assets, net	2,731,824	(62,367)	(15)	2,669,442
Nondepreciable capital assets				
Land and improvements	68,464	2,573	--	71,037
Plant held for future use	23,115	--	--	23,115
Construction in progress (2)	180,662	255,259	(231,678)	204,243
Total nondepreciable assets	272,241	257,832	(231,678)	298,395
Total capital assets	$ 3,004,065	195,465	(231,693)	2,967,837

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 286,142
Current year amortization included in operating expense	18,561
Total increases in accumulated depreciation/amortization	$ 304,703

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water

Capital asset activity for the year ended September 30, 2020, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,234,665	12,340	--	1,247,005
Plant and equipment	3,924,920	115,943	(1,305)	4,039,558
Vehicles	43,376	4,466	(2,038)	45,804
Water rights	100,000	--	--	100,000
Total depreciable capital assets	5,302,961	132,749	(3,343)	5,432,367
Less accumulated depreciation/amortization for				
Building and improvements	(356,540)	(26,484)	--	(383,024)
Plant and equipment	(1,660,653)	(96,865)	1,175	(1,756,343)
Vehicles	(32,390)	(3,233)	2,017	(33,606)
Water rights	(19,754)	(988)	--	(20,742)
Total accumulated depreciation/amortization	(2,069,337)	(127,570) (1)	3,192	(2,193,715)
Depreciable capital assets, net	3,233,624	5,179	(151)	3,238,652
Nondepreciable capital assets				
Land and improvements	230,371	915	--	231,286
Arts and treasures	111	--	--	111
Construction in progress	248,087	157,111	(78,862)	326,336
Total nondepreciable assets	478,569	158,026	(78,862)	557,733
Total capital assets	$ 3,712,193	163,205	(79,013)	3,796,385

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	$ 60,448
Wastewater	66,134
Current year amortization	
Water	988
Total increases in accumulated depreciation/amortization	$ 127,570

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2020, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,474,031	168,157	--	1,642,188
Plant and equipment	42,380	8,811	--	51,191
Vehicles	18,491	2,790	(1,998)	19,283
Total depreciable capital assets	1,534,902	179,758	(1,998)	1,712,662
Less accumulated depreciation for				
Building and improvements	(377,918)	(37,666)	--	(415,584)
Plant and equipment	(19,448)	(3,159)	--	(22,607)
Vehicles	(10,303)	(1,645)	834	(11,114)
Total accumulated depreciation	(407,669)	(42,470) (1)	834	(449,305)
Depreciable capital assets, net	1,127,233	137,288	(1,164)	1,263,357
Nondepreciable capital assets				
Land and improvements	96,381	--	--	96,381
Arts and treasures	3,375	15	--	3,390
Construction in progress	140,759	102,748	(177,169)	66,338
Total nondepreciable assets	240,515	102,763	(177,169)	166,109
Total capital assets	$ 1,367,748	240,051	(178,333)	1,429,466

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 42,470

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2020, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 346,511	9,682	(7,282)	348,911
Plant and equipment	233,457	6,593	(35)	240,015
Vehicles	150,049	11,438	(4,934)	156,553
Total depreciable capital assets	730,017	27,713	(12,251)	745,479
Less accumulated depreciation for				
Building and improvements	(180,880)	(8,414)	24	(189,270)
Plant and equipment	(96,382)	(9,639)	35	(105,986)
Vehicles	(96,711)	(12,437)	4,290	(104,858)
Total accumulated depreciation	(373,973)	(30,490) (2)	4,349	(400,114)
Depreciable capital assets, net	356,044	(2,777)	(7,902)	345,365
Nondepreciable capital assets				
Land and improvements	349,113	39,577	--	388,690
Arts and treasures	612	--	--	612
Construction in progress	30,596	46,888	(30,894)	46,590
Total nondepreciable assets	380,321	86,465	(30,894)	435,892
Total capital assets	$ 736,365	83,688	(38,796)	781,257

(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	$ 8,588
Environmental and health services	10,686
Public recreation	660
Urban growth management	10,464
Total nonmajor enterprise activities depreciation expense	30,398
Transferred accumulated depreciation	92
Total increases in accumulated depreciation/amortization	$ 30,490

Service Concession Arrangements

The City has recorded net capital assets of $159.7 million, other assets of $17 million and deferred inflows of $171.5 million derived from four 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 extends through 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 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, 2020, the unamortized balance was $9.2 million and is presented in other assets. The related deferred inflow balance is $10.9 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, 2020, the unamortized balance was $7.8 million and is presented in other assets. The related deferred inflow balance is $8.3 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, 2020, the City reported the following SCA activities (in thousands):

Service Concession Arrangement	Beginning Asset Construction Cost	Current year Additions	Beginning Accumulated Depreciation	Current Year Depreciation	Ending Accumulated Depreciation	Net Book Value
Governmental Activities:						
Umlauf Sculpture Garden	$ 2,337	--	1,631	58	1,689	648
YMCA Northeast Recreation Center	1,333	--	227	33	260	1,073
Total Governmental Activities	3,670	--	1,858	91	1,949	1,721
Business-type Activities:						
CONRAC facility	152,496	--	15,183	3,817	19,000	133,496
Bark and Zoom facility	27,098	--	2,008	635	2,643	24,455
Total Business-type Activities	179,594	--	17,191	4,452	21,643	157,951

	Beginning Deferred Inflows	Current year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:						
Umlauf Sculpture Garden	163	--	2,174	79	2,253	84
YMCA Northeast Recreation Center	723	--	610	68	678	655
Total Governmental Activities	886	--	2,784	147	2,931	739
Business-type Activities:						
CONRAC facility	132,195	--	20,301	5,083	25,384	127,112
CONRAC base rent agreement	11,302	--	1,739	435	2,174	10,867
Bark and Zoom facility	25,090	--	2,008	635	2,643	24,455
Bark and Zoom base rent agreement	8,570	--	694	232	926	8,338
Total Business-type Activities	$ 177,157	--	24,742	6,385	31,127	170,772

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, 2020, were as follows (in thousands):

Description	October 1, 2019	Increases	Decreases	September 30, 2020	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 1,081,774	203,016	(141,449)	1,143,341	83,904
Certificates of obligation, net	235,667	21,423	(12,365)	244,725	10,082
Contractual obligations, net	93,938	23,806	(19,296)	98,448	16,315
General obligation bonds and other tax supported debt total	1,411,379	248,245	(173,110)	1,486,514	110,301
Capital lease obligations	9,880	23,702	(7,379)	26,203	5,117
Net debt	1,421,259	271,947	(180,489)	1,512,717	115,418
Other long-term obligations					
Accrued compensated absences	136,397	8,177	(580)	143,994	66,140
Claims payable	47,240	169,933	(168,051)	49,122	25,651
Net pension liability	2,060,161	781,978	(698,459)	2,143,680	--
Other postemployment benefits	1,423,132	819,872	(155,377)	2,087,627	33,567
Asset retirement obligations	518	--	--	518	--
Other liabilities	118,603	33,815	(5,064)	147,354	131,603
Governmental activities total	5,207,310	2,085,722	(1,208,020)	6,085,012	372,379
Total business-type activities					
General obligation bonds, net	12,820	8,443	(4,718)	16,545	3,516
Certificates of obligation, net	49,585	--	(9,799)	39,786	2,133
Contractual obligations, net	21,010	5,778	(8,863)	17,925	5,250
Other tax supported debt, net	6,115	--	(775)	5,340	820
General obligation bonds and other tax supported debt total	89,530	14,221	(24,155)	79,596	11,719
Commercial paper notes, net	129,300	237,180	--	366,480	--
Revenue bonds, net	5,465,167	--	(236,856)	5,228,311	176,725
Revenue notes from direct placements, net	162,185	21,200	(10,555)	172,830	11,475
Capital lease obligations	878	--	(59)	819	63
Net debt	5,847,060	272,601	(271,625)	5,848,036	199,982
Other long-term obligations					
Accrued compensated absences	30,172	8,453	(2,369)	36,256	31,623
Claims payable	542	182	(162)	562	293
Net pension liability	838,511	387,187	(366,064)	859,634	--
Other postemployment benefits	972,315	561,959	(117,407)	1,416,867	22,781
Accrued landfill closure and postclosure costs	12,262	358	(1,705)	10,915	658
Decommissioning liability payable	1,460	--	(266)	1,194	1,194
Asset retirement obligations	414,390	12,044	(8,472)	417,962	--
Other liabilities	92,280	17,861	(8,716)	101,425	63,785
Business-type activities total	8,208,992	1,260,645	(776,786)	8,692,851	320,316
Total liabilities (1)	$ 13,416,302	3,346,367	(1,984,806)	14,777,863	692,695

(1) This schedule excludes select short-term liabilities of $131,317 for governmental activities. For business-type activities, it excludes select short-term liablities of $262,340, and derivative instruments of $30,489.

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

Description	October 1, 2019	Increases	Decreases	September 30, 2020	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 54	9	(59)	4	4
General obligation bonds and other tax supported debt total	54	9	(59)	4	4
Commercial paper notes, net	26,630	135,850	--	162,480	--
Revenue bonds, net	1,988,686	--	(88,698)	1,899,988	78,886
Capital lease obligations	878	--	(59)	819	63
Net debt	2,016,248	135,859	(88,816)	2,063,291	78,953
Other long-term obligations					
Accrued compensated absences	11,437	4,375	(2,312)	13,500	11,867
Claims payable	232	66	(46)	252	242
Net pension liability	318,779	141,105	(134,655)	325,229	--
Other postemployment benefits	294,161	165,218	(35,335)	424,044	6,818
Decommissioning liability payable	1,460	--	(266)	1,194	1,194
Asset retirement obligations	413,108	12,044	(8,472)	416,680	--
Other liabilities	67,424	13,768	(6,651)	74,541	38,641
Electric activities total	3,122,849	472,435	(276,553)	3,318,731	137,715
Water and Wastewater activities					
General obligation bonds, net	965	6	(227)	744	185
Certificates of obligation bonds, net	1,497	--	(97)	1,400	99
Contractual obligations, net	2,388	--	(1,090)	1,298	671
Other tax supported debt, net	3,915	--	(496)	3,419	525
General obligation bonds and other tax supported debt total	8,765	6	(1,910)	6,861	1,480
Commercial paper notes, net	102,670	101,330	--	204,000	--
Revenue bonds, net	2,270,380	--	(113,433)	2,156,947	68,199
Revenue notes from direct placements, net	89,130	21,200	(4,135)	106,195	4,930
Net debt	2,470,945	122,536	(119,478)	2,474,003	74,609
Other long-term obligations					
Accrued compensated absences	5,476	1,336	--	6,812	5,839
Claims payable	310	108	(108)	310	51
Net pension liability	166,571	70,891	(74,614)	162,848	--
Other postemployment benefits	199,063	113,420	(23,011)	289,472	4,655
Asset retirement obligations	1,282	--	--	1,282	--
Other liabilities	12,205	153	(124)	12,234	12,234
Water and Wastewater activities total	2,855,852	308,444	(217,335)	2,946,961	97,388
Airport activities					
General obligation bonds, net	13	2	(12)	3	2
General obligation bonds and other tax supported debt total	13	2	(12)	3	2
Revenue bonds, net	1,108,862	--	(22,679)	1,086,183	22,450
Revenue notes from direct placements, net	48,030	--	(4,335)	43,695	4,425
Net debt	1,156,905	2	(27,026)	1,129,881	26,877
Other long-term obligations					
Accrued compensated absences	2,418	380	--	2,798	2,734
Claims payable	--	8	(8)	--	--
Net pension liability	60,057	29,727	(26,922)	62,862	--
Other postemployment benefits	89,110	52,073	(10,816)	130,367	2,096
Other liabilities	2,784	3,779	(96)	6,467	4,727
Airport activities total	1,311,274	85,969	(64,868)	1,332,375	36,434
Nonmajor activities					
General obligation bonds, net	11,788	8,426	(4,420)	15,794	3,325
Certificates of obligation, net	48,088	--	(9,702)	38,386	2,034
Contractual obligations	18,622	5,778	(7,773)	16,627	4,579
Other tax supported debt, net	2,200	--	(279)	1,921	295
General obligation bonds and other tax supported debt total	80,698	14,204	(22,174)	72,728	10,233
Revenue bonds, net	97,239	--	(12,046)	85,193	7,190
Revenue notes from direct placements, net	25,025	--	(2,085)	22,940	2,120
Net debt	202,962	14,204	(36,305)	180,861	19,543
Other long-term obligations					
Accrued compensated absences	10,841	2,362	(57)	13,146	11,183
Net pension liability	293,104	145,464	(129,873)	308,695	--
Other postemployment benefits	389,981	231,248	(48,245)	572,984	9,212
Accrued landfill closure and postclosure costs	12,262	358	(1,705)	10,915	658
Other liabilities	9,867	161	(1,845)	8,183	8,183
Nonmajor activities total	$ 919,017	393,797	(218,030)	1,094,784	48,779

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, 2020, 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	5,340	811	(1)(3)	4.20 - 4.25%	9/1/2021-2026
Mueller Contractual Obligation - 2006	2006	12,000	5,110	842	(1)(4)	4.00 - 5.00%	9/1/2021-2026
Public Improvement - 2009B	2009	78,460	58,425	15,290	(1)	4.75 - 5.31%	9/1/2021-2029
Mueller Contractual Obligation - 2009	2010	15,000	8,350	1,841	(1)(4)	4.00 - 4.25%	9/1/2021-2029
Public Improvement - 2010A	2011	79,528	62,380	14,334	(1)	3.00 - 4.00%	9/1/2021-2030
Public Improvement - 2010B	2011	26,400	22,620	5,769	(1)	3.45 - 4.65%	9/1/2021-2030
Certificates of Obligation - 2010	2011	22,300	13,815	2,687	(1)	3.00 - 3.50%	9/1/2021-2030
Public Improvement Refunding - 2010	2011	91,560	35,625	2,831	(1)	4.34 - 5.00%	9/1/2021-2023
Public Improvement - 2011A	2012	78,090	65,940	18,081	(1)	3.00 - 4.00%	9/1/2021-2031
Public Improvement - 2011B	2012	8,450	7,200	1,873	(1)	3.50 - 4.50%	9/1/2021-2031
Certificates of Obligation - 2011	2012	51,150	40,895	18,925	(1)	3.00 - 5.00%	9/1/2021-2041
Public Improvement Refunding - 2011A	2012	68,285	11,315	1,073	(1)	4.00 - 5.00%	9/1/2021-2023
Public Improvement - 2012A	2013	74,280	70,945	17,403	(1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	4,255	961	(1)	2.50 - 3.50%	9/1/2021-2032
Certificates of Obligation - 2012	2013	24,645	17,425	4,216	(1)	3.00 - 4.00%	9/1/2021-2037
Mueller Contractual Obligation - 2012	2013	16,735	12,420	3,220	(1)(4)	2.63 - 3.38%	9/1/2021-2032
Public Improvement - 2013	2014	104,665	92,155	31,012	(1)	4.00 - 5.00%	9/1/2021-2033
Certificates of Obligation - 2013	2014	25,355	21,220	9,401	(1)	3.25 - 5.00%	9/1/2021-2038
Contractual Obligation - 2013	2014	50,150	3,215	36	(2)	2.25%	11/1/2020
Public Improvement Refunding - 2013A	2014	43,250	15,990	2,319	(1)	5.00%	9/1/2021-2024
Public Improvement - 2014	2015	89,915	87,615	44,132	(1)	3.00 - 5.00%	9/1/2021-2034
Public Improvement - 2014	2015	10,000	9,425	3,646	(1)	2.68 - 4.02%	9/1/2021-2034
Certificates of Obligation - 2014	2015	35,490	27,885	11,508	(1)	2.00 - 5.00%	9/1/2021-2034
Certificates of Obligation - 2014	2015	9,600	7,395	2,282	(1)	2.68 - 3.92%	9/1/2021-2034
Contractual Obligation - 2014	2015	14,100	4,280	208	(2)	4.00 - 5.00%	11/1/2020-2021
Mueller Contractual Obligation - 2014	2015	15,845	13,905	3,953	(1)(4)	3.00 - 5.00%	9/1/2021-2029
Public Improvement and Refunding - 2015	2016	236,905	193,895	50,566	(1)	2.95 - 5.00%	9/1/2021-2035
Public Improvement - 2015	2016	10,000	8,405	2,863	(1)	2.89 - 4.27%	9/1/2021-2035
Certificates of Obligation - 2015	2016	43,710	36,105	15,845	(1)	3.25 - 5.00%	9/1/2021-2035
Contractual Obligation - 2015	2016	14,450	5,695	434	(2)	5.00%	11/1/2020-2022
Public Improvement and Refunding - 2016	2017	98,365	79,690	25,971	(1)	3.00 - 5.00%	9/1/2021-2036
Certificates of Obligation - 2016	2017	44,015	38,060	17,324	(1)	3.00 - 5.00%	9/1/2021-2036
Contractual Obligation - 2016	2017	22,555	11,345	944	(2)	2.00 - 5.00%	11/1/2020-2023
Public Improvement - 2016	2017	12,000	10,100	2,630	(1)	1.81 - 4.00%	9/1/2021-2036
Certificates of Obligation - 2016	2017	8,700	7,325	1,905	(1)	1.81 - 4.00%	9/1/2021-2036
Public Improvement - 2017	2018	63,580	45,960	21,157	(1)	5.00%	9/1/2021-2037
Certificates of Obligation - 2017	2018	29,635	26,625	13,451	(1)	5.00%	9/1/2021-2037
Contractual Obligation - 2017	2018	5,075	3,360	330	(2)	2.00 - 5.00%	11/1/2020-2024
Public Improvement - 2017	2018	25,000	23,040	7,532	(1)	2.35 - 5.00%	9/1/2021-2037
Public Improvement - 2018	2019	65,595	26,560	8,258	(1)	3.00 - 5.00%	9/1/2021-2038
Certificates of Obligation - 2018	2019	7,140	6,655	2,579	(1)	3.00 - 5.00%	9/1/2021-2038
Contractual Obligation - 2018	2019	21,215	17,370	2,533	(2)	4.00 - 5.00%	11/1/2020-2025
Public Improvement - 2018	2019	6,980	6,510	2,643	(1)	3.38 - 5.00%	9/1/2021-2038
Public Improvement and Refunding - 2019	2020	146,090	99,965	43,797	(1)	4.00 - 5.00%	9/1/2021-2039
Certificates of Obligation - 2019	2020	5,055	4,880	2,745	(1)	4.00 - 5.00%	9/1/2021-2039
Contractual Obligation - 2019	2020	25,780	24,400	4,474	(2)	5.00%	11/1/2020-2026
Public Improvement - 2019	2020	40,535	38,935	11,564	(1)	1.92 - 5.00%	9/1/2021-2039
Certificates of Obligation - 2019	2020	14,935	14,345	4,260	(1)	1.92 - 5.00%	9/1/2021-2039
			$ 1,454,370				

(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 $3,419 and interest of $519 and Drainage fund principal of $1,921 and interest of $292.
(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 2019, the City issued $146,090,000 of Public Improvement and Refunding Bonds, Series 2019. The net proceeds of $147,670,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: streets and mobility ($59,150,000), watershed projects and acquisition of land ($36,850,000), facility improvements ($26,990,000), and parks and recreation ($24,680,000). The net proceeds of the refunding portion of $21,768,150 were used to refund $14,220,000 Public Improvement Refunding Bonds, Series 2008 and $7,405,000 Certificates of Obligation, Series 2009. Principal payments are due on September 1 of each year from 2020 to 2039. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2020. Total interest requirements for these bonds, at rates ranging from 4.0% to 5.0%, are $50,409,857. An economic gain of $2,064,601 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $2,332,382. An accounting loss of $834,531, which will be deferred and amortized, was recorded on this refunding.

In October 2019, the City issued $5,055,000 of Certificates of Obligation, Series 2019. The net proceeds of $6,260,000 (after issue costs, discounts, and premiums) from this issue will be used to repair and refurbish city pools. Principal payments are due on September 1 of each year from 2020 to 2039. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2020. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $2,972,998.

In October 2019, the City issued $25,780,000 of Public Property Finance Contractual Obligations, Series 2019. The net proceeds of $29,400,000 (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 2020 to 2026. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2020. Total interest requirements for these obligations, at a rate of 5.0%, are $5,221,961.

In October 2019, the City issued $40,535,000 of Public Improvement Taxable Bonds, Series 2019. The net proceeds of $40,700,000 (after issue costs, discounts, and premiums) from this issuance will be used for affordable housing ($37,905,000) and Austin Film studios ($2,795,000). Principal payments are due September 1 of each year from 2020 to 2039. Interest is payable March 1 and September 1 of each year from 2020 to 2039, commencing on March 1, 2020. Total interest requirements for this obligation, at rates ranging from 1.9% to 5.0% are $12,607,349.

In October 2019, the City issued $14,935,000 of Certificates of Obligation, Taxable Series 2019. The net proceeds of $15,000,000 (after issue costs, discounts, and premiums) from this issuance will be used for Waller Creek District improvements. Principal payments are due September 1 of each year from 2020 to 2039. Interest is payable March 1 and September 1 of each year from 2020 to 2039, commencing on March 1, 2020. Total interest requirements for this obligation, at rates ranging from 1.9% to 5.0% are $4,644,909.

General obligation bonds authorized and unissued amounted to $1,427,995,000 at September 30, 2020. Bond ratings at September 30, 2020 were Aa1 (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (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, 2020, 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, 2020 (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	$ 78,540	12,839 (1)	5.25%	5/15/2021-2025

(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, 2020, 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, 2020, Austin Energy had tax exempt commercial paper notes of $113,000,000 outstanding and Austin Water had $204,000,000 of commercial paper notes outstanding with interest ranging from 0.10% to 0.18%, 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	0.25%	Goldman Sachs	0.05%	$ 317,000	10/9/2020 (1)

(1) In October 2020, the City extended the letter of credit agreement with the current parties. The new agreement expires September 30, 2022, thus the City has classified this debt as long-term at the end of the fiscal year.

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 $75,000,000 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, 2020, 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, 2020, Austin Energy had outstanding taxable commercial paper notes of $49,480,000 with interest rates ranging from 0.10% to 0.17%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The associated letter of credit agreement has the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	JP Morgan Chase Bank NA	0.25%	Goldman Sachs	0.05%	$ 49,480	10/9/2020 (1)

(1) In October 2020, the City extended the letter of credit agreement with the current parties. The new agreement expires September 30, 2022, thus the City has classified this debt as long-term at the end of the fiscal year.

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, 2020, were Aa3 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA (Fitch Ratings, Inc.).

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2020 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2007 Refunding	2007	$ 146,635	5,800	145 (1)	5.00%	11/15/2020
2008 Refunding	2008	50,000	35,150	16,216 (1)	6.26%	11/15/2020-2032
2010A Refunding	2010	119,255	90,785	37,476 (1)	4.00 - 5.00%	11/15/2020-2040
2010B Refunding	2010	100,990	97,840	65,263 (1)	4.54 - 5.72%	11/15/2020-2040
2012A Refunding	2013	267,770	238,635	131,612 (1)	2.50 - 5.00%	11/15/2020-2040
2012B Refunding	2013	107,715	80,490	12,623 (1)	2.21 - 3.16%	11/15/2020-2027
2015A Refunding	2015	327,845	327,845	234,371 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	52,475	19,330 (1)	2.48 - 4.66%	11/15/2020-2037
2017 Refunding	2017	101,570	97,090	64,118 (1)	4.00 - 5.00%	11/15/2020-2038
2019A	2019	464,540	433,185	78,897 (1)	2.43 - 3.09%	11/15/2020-2031
2019B Refunding	2019	169,850	169,850	173,027 (1)	5.00%	11/15/2022-2049
2019C Refunding	2019	104,775	104,775	66,074 (1)	2.00 - 3.57%	11/15/2020-2049
			$ 1,733,920			

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

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

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, 2020 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,388,841	1,066,666	322,175	151,073	2.13

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, 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, 2020, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch Ratings, Inc.).

Water and Wastewater System Revenue Debt -- Revenue Bond Issue - In November 2019, the City issued $6,200,000 of Water and Wastewater System Revenue Bonds, Series 2019. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $5,778,093 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2020 to 2039. Interest payments are due May 15 and November 15 of each year from 2020 to 2039. Total interest requirements for the bonds are $1,040,148, with interest rates ranging from 0.84% to 1.94%.

In February 2020, the City issued $11,200,000 of Water and Wastewater System Revenue Bonds, Series 2020A. This is a private placement structured through a memorandum with the TWDB. Project funds of $10,533,750 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2020 to 2049. Interest payments are due May 15 and November 15 of each year from 2020 to 2049. Total interest requirements for the bonds are $497,111, with interest rates ranging from 0.05% to 0.50%.

In February 2020, the City issued $3,800,000 of Water and Wastewater System Revenue Bonds, Series 2020B. This is a private placement structured through a memorandum with the TWDB. Project funds of $3,541,198 will be used to improve and extend the water and wastewater system. Principal payments are due November 15 of each year from 2020 to 2049. Interest payments are due May 15 and November 15 of each year from 2020 to 2049. The total interest requirements on the bonds are $325,304, with interest rates ranging from 0.03% to 0.80%.

Water and Wastewater System Revenue Debt -- Revenue Bond In-Substance Defeasance - In April 2020, the City defeased $2,935,000 of separate lien revenue refunding bonds, series 2011, $10,835,000 of separate lien revenue refunding bonds, series 2012, $9,575,000 of separate lien revenue refunding bonds, series 2013A, $5,980,000 of separate lien revenue refunding bonds, series 2014, and $7,675,000 of separate lien revenue refunding bonds, series 2015A, with a $40,755,787 cash payment. The funds were deposited in an irrevocable escrow account, that holds essentially risk-free U.S. Treasury Notes, to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt. Revenue bond debt service savings from the 2020 defeasance were $40,205,583 over a two and a half-year period. These savings, coupled with future planned debt defeasance transactions, will help achieve rate stability over the next few years. An accounting loss of $2,267,003 was recorded and recognized in the current period on the defeasance.

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

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2020 (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	97,240	23,526	(2)	0.08 - 7.15%	11/15/2020-2031	(3)
2010	2010	31,815	23,325	--	(4)	0.00%	11/15/2020-2041	
2010A Refunding	2011	76,855	58,170	40,341	(1)	5.00 - 5.13%	11/15/2022-2040	
2010B Refunding	2011	100,970	87,630	61,522	(1)	4.25 - 6.02%	11/15/2020-2040	
2011 Refunding	2012	237,530	189,970	113,547	(1)	3.13 - 5.00%	11/15/2022-2041	
2012 Refunding	2012	336,820	225,650	126,474	(1)	2.50 - 5.00%	11/15/2020-2042	
2013A Refunding	2013	282,460	246,040	139,904	(1)	3.70 - 5.00%	11/15/2020-2043	
2014 Refunding	2014	282,205	261,260	166,044	(1)	5.00%	11/15/2020-2043	
2015A Refunding	2015	249,145	231,315	73,589	(1)	2.85 - 5.00%	11/15/2020-2036	
2015B Refunding	2015	40,000	6,000	153	(1)	2.54%	5/15/2021	
2016 Refunding	2016	247,770	245,810	185,463	(1)	5.00%	11/15/2020-2045	
2016A	2017	20,430	17,670	2,769	(1)	0.71 - 2.12%	11/15/2020-2036	
2017 Refunding	2017	311,100	311,100	177,493	(1)	2.50 - 5.00%	11/15/2020-2046	
2017A	2018	45,175	41,125	7,446	(1)	0.70 - 2.29%	11/15/2020-2037	
2018	2019	3,000	2,875	652	(1)	1.30 - 2.61%	11/15/2020-2038	
2019	2020	6,200	6,200	999	(1)	0.84 - 1.94%	11/15/2020-2039	
2020A	2020	11,200	11,200	493	(1)	0.00 - 0.50%	11/15/2020-2049	
2020B	2020	3,800	3,800	322	(1)	0.00 - 0.80%	11/15/2020-2049	
			$ 2,066,380					

(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%	$ 97,240	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, 2020 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
$ 571,100	266,060	305,040	160,515	1.90

(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 fund issues airport system revenue bonds to fund Airport fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport fund. Revenue bonds authorized and unissued amount to $735,795,000. Bond ratings at September 30, 2020, 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, 2020 (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	43,695	4,515 (1)	2.25%	11/15/2020-2028 (2)
2014 Revenue	2015	244,495	244,495	207,124 (1)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	169,164 (1)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	118,373 (1)	5.00%	11/15/2026-2046
2019 Revenue	2019	151,720	140,820	21,781 (1)	5.00%	11/15/2020-2025
2019A Revenue	2019	16,975	16,975	25,038 (1)	5.00%	11/15/2049
2019B Revenue	2019	248,170	248,170	228,870 (1)	5.00%	11/15/2022-2048
			$ 1,009,120			

(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, 2020 (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
$ 174,257	7,446	118,053	63,650	29,783	2.14

(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 $21.5 million.

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

Nonmajor 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, 2020, 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, 2020 (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	70,765	11,376 (2)	0.08 - 6.50%	11/15/2020-2029
2012 Refunding	2012	20,185	13,945	3,534 (1)	3.63 - 5.00%	11/15/2020-2029
2016 Refunding	2017	29,080	22,940	2,210 (1)	1.88%	11/15/2020-2029
			$ 107,650			

(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%	$ 35,380	10/7/2021
2008-B	Sumitomo Mitsui Banking Corporation	0.33%	BofA Securities, Inc.	0.05%	35,385	10/7/2022
					$ 70,765	

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

Governmental Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2021	$ 83,904	46,257	10,082	9,576	16,315	3,960
2022	84,321	42,215	10,532	9,168	14,023	3,264
2023	82,346	38,191	11,004	8,730	12,558	2,627
2024	83,101	34,578	11,478	8,280	10,880	2,067
2025	83,606	31,027	11,978	7,813	9,930	1,595
2026-2030	378,279	103,167	68,530	30,968	24,800	3,108
2031-2035	231,685	33,728	70,210	15,780	4,100	207
2036-2040	34,745	2,880	29,390	3,241	--	--
2041-2045	--	--	2,235	95	--	--
Total debt service requirements	1,061,987	332,043	225,439	93,651	92,606	16,828
Less: Unamortized bond discounts	(924)	--	(551)	--	(163)	--
Add: Unamortized bond premiums	82,278	--	19,837	--	6,005	--
Net debt	1,143,341	332,043	244,725	93,651	98,448	16,828

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Governmental Debt Service Requirements Principal	Total Governmental Debt Service Requirements Interest	Total Governmental Debt Service Requirements Total
2021	5,117	715	115,418	60,508	175,926
2022	5,264	567	114,140	55,214	169,354
2023	5,416	416	111,324	49,964	161,288
2024	3,384	259	108,843	45,184	154,027
2025	3,468	175	108,982	40,610	149,592
2026-2030	3,554	88	475,163	137,331	612,494
2031-2035	--	--	305,995	49,715	355,710
2036-2040	--	--	64,135	6,121	70,256
2041-2045	--	--	2,235	95	2,330
Total debt service requirements	26,203	2,220	1,406,235	444,742	1,850,977
Less: Unamortized bond discounts	--	--	(1,638)	--	(1,638)
Add: Unamortized bond premiums	--	--	108,120	--	108,120
Net debt	$ 26,203	2,220	1,512,717	444,742	1,957,459

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

Business-type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 3,516	729	2,133	1,631	5,250	679
2022	2,884	570	2,222	1,558	3,306	497
2023	1,984	426	2,330	1,476	2,538	354
2024	2,069	326	2,448	1,384	2,220	244
2025	374	224	2,567	1,283	1,905	143
2026-2030	1,946	809	14,716	4,668	1,625	70
2031-2035	1,085	436	10,775	1,477	--	--
2036-2040	1,105	142	--	--	--	--
2041-2045	--	--	--	--	--	--
2046-2050	--	--	--	--	--	--
Total debt service requirements	14,963	3,662	37,191	13,477	16,844	1,987
Less: Unamortized bond discounts	--	--	(46)	--	--	--
Add: Unamortized bond premiums	1,582	--	2,641	--	1,081	--
Net debt	16,545	3,662	39,786	13,477	17,925	1,987

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	820	226	366,480	34	176,725	219,765
2022	845	191	--	--	169,865	212,698
2023	885	156	--	--	205,600	204,516
2024	920	119	--	--	231,605	194,990
2025	965	80	--	--	237,635	184,593
2026-2030	905	39	--	--	1,214,865	764,981
2031-2035	--	--	--	--	835,310	530,011
2036-2040	--	--	--	--	824,975	328,915
2041-2045	--	--	--	--	667,605	141,168
2046-2050	--	--	--	--	258,595	23,670
Total debt service requirements	5,340	811	366,480	34	4,822,780	2,805,307
Less: Unamortized bond discounts	--	--	--	--	(1,237)	--
Add: Unamortized bond premiums	--	--	--	--	406,768	--
Net debt	$ 5,340	811	366,480	34	5,228,311	2,805,307

(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 0.08% - 7.15%.

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
2021	$ 11,475	2,440	63	75	566,462	225,579	792,041
2022	11,635	2,273	67	72	190,824	217,859	408,683
2023	11,850	2,100	70	69	225,257	209,097	434,354
2024	12,010	1,920	74	65	251,346	199,048	450,394
2025	12,190	1,734	77	61	255,713	188,118	443,831
2026-2030	58,465	5,637	451	242	1,292,973	776,446	2,069,419
2031-2035	27,670	2,578	17	6	874,857	534,508	1,409,365
2036-2040	20,290	585	--	--	846,370	329,642	1,176,012
2041-2045	4,655	102	--	--	672,260	141,270	813,530
2046-2050	2,590	37	--	--	261,185	23,707	284,892
Total debt service requirements	172,830	19,406	819	590	5,437,247	2,845,274	8,282,521
Less: Unamortized bond discounts	--	--	--	--	(1,283)	--	(1,283)
Add: Unamortized bond premiums	--	--	--	--	412,072	--	412,072
Net debt	$ 172,830	19,406	819	590	5,848,036	2,845,274	8,693,310

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

Business-type Activities: Austin Energy
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Commercial Paper Notes (1)		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 4	--	162,480	14	78,886	74,218
2022	--	--	--	--	87,148	71,400
2023	--	--	--	--	86,843	68,100
2024	--	--	--	--	91,652	64,628
2025	--	--	--	--	92,237	60,959
2026-2030	--	--	--	--	481,765	248,436
2031-2035	--	--	--	--	323,290	161,487
2036-2040	--	--	--	--	248,550	99,838
2041-2045	--	--	--	--	191,395	49,305
2046-2050	--	--	--	--	110,450	10,311
Total debt service requirements	4	--	162,480	14	1,792,216	908,682
Less: Unamortized bond discounts	--	--	--	--	(159)	--
Add: Unamortized bond premiums	--	--	--	--	107,931	--
Net debt	4	--	162,480	14	1,899,988	908,682

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2021	63	75	241,433	74,307	315,740
2022	67	72	87,215	71,472	158,687
2023	70	69	86,913	68,169	155,082
2024	74	65	91,726	64,693	156,419
2025	77	61	92,314	61,020	153,334
2026-2030	451	242	482,216	248,678	730,894
2031-2035	17	6	323,307	161,493	484,800
2036-2040	--	--	248,550	99,838	348,388
2041-2045	--	--	191,395	49,305	240,700
2046-2050	--	--	110,450	10,311	120,761
Total debt service requirements	819	590	1,955,519	909,286	2,864,805
Less: Unamortized bond discounts	--	--	(159)	--	(159)
Add: Unamortized bond premiums	--	--	107,931	--	107,931
Net debt	$ 819	590	2,063,291	909,286	2,972,577

(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 September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 185	34	99	53	671	50	525	145
2022	187	27	102	50	419	24	541	122
2023	155	17	109	47	175	4	567	100
2024	188	9	114	43	--	--	589	76
2025	--	--	119	38	--	--	618	51
2026-2030	--	--	661	114	--	--	579	25
2031-2035	--	--	182	8	--	--	--	--
2036-2040	--	--	--	--	--	--	--	--
2041-2045	--	--	--	--	--	--	--	--
2046-2050	--	--	--	--	--	--	--	--
Total debt service requirements	715	87	1,386	353	1,265	78	3,419	519
Less: Unamortized bond discounts	--	--	(4)	--	--	--	--	--
Add: Unamortized bond premiums	29	--	18	--	33	--	--	--
Net debt	744	87	1,400	353	1,298	78	3,419	519

Fiscal Year Ended September 30	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
2021	204,000	20	68,199	95,055	4,930	1,097	278,609	96,454	375,063
2022	--	--	53,572	92,170	4,945	1,070	59,766	93,463	153,229
2023	--	--	83,987	88,777	5,025	1,041	90,018	89,986	180,004
2024	--	--	103,673	84,386	5,045	1,008	109,609	85,522	195,131
2025	--	--	107,553	79,395	5,070	972	113,360	80,456	193,816
2026-2030	--	--	560,015	320,042	25,975	4,191	587,230	324,372	911,602
2031-2035	--	--	362,220	209,171	27,670	2,578	390,072	211,757	601,829
2036-2040	--	--	384,970	112,178	20,290	585	405,260	112,763	518,023
2041-2045	--	--	231,480	29,225	4,655	102	236,135	29,327	265,462
2046-2050	--	--	24,760	966	2,590	37	27,350	1,003	28,353
Total debt service requirements	204,000	20	1,980,429	1,111,365	106,195	12,681	2,297,409	1,125,103	3,422,512
Less: Unamortized bond discounts	--	--	(1,028)	--	--	--	(1,032)	--	(1,032)
Add: Unamortized bond premiums	--	--	177,546	--	--	--	177,626	--	177,626
Net debt	$ 204,000	20	2,156,947	1,111,365	106,195	12,681	2,474,003	1,125,103	3,599,106

(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 0.08% - 7.15%.

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
2021	$ 2	--	22,450	47,710	4,425	933
2022	1	--	21,695	46,606	4,530	833
2023	--	--	27,095	45,386	4,630	730
2024	--	--	28,320	44,002	4,730	624
2025	--	--	29,585	42,554	4,845	516
2026-2030	--	--	126,910	192,809	20,535	879
2031-2035	--	--	149,800	159,353	--	--
2036-2040	--	--	191,455	116,899	--	--
2041-2045	--	--	244,730	62,638	--	--
2046-2050	--	--	123,385	12,393	--	--
Total debt service requirements	3	--	965,425	770,350	43,695	4,515
Add: Unamortized bond premiums	--	--	120,758	--	--	--
Net debt	3	--	1,086,183	770,350	43,695	4,515

Fiscal Year Ended September 30	Total Airport Debt Service Requirements		
	Principal	Interest	Total
2021	26,877	48,643	75,520
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
2026-2030	147,445	193,688	341,133
2031-2035	149,800	159,353	309,153
2036-2040	191,455	116,899	308,354
2041-2045	244,730	62,638	307,368
2046-2050	123,385	12,393	135,778
Total debt service requirements	1,009,123	774,865	1,783,988
Add: Unamortized bond premiums	120,758	--	120,758
Net debt	$ 1,129,881	774,865	1,904,746

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
2021	$ 3,325	695	2,034	1,578	4,579	629	295	81
2022	2,696	543	2,120	1,508	2,887	473	304	69
2023	1,829	409	2,221	1,429	2,363	350	318	56
2024	1,881	317	2,334	1,341	2,220	244	331	43
2025	374	224	2,448	1,245	1,905	143	347	29
2026-2030	1,946	809	14,055	4,554	1,625	70	326	14
2031-2035	1,085	436	10,593	1,469	--	--	--	--
2036-2040	1,105	142	--	--	--	--	--	--
Total debt service requirements	14,241	3,575	35,805	13,124	15,579	1,909	1,921	292
Less: Unamortized bond discounts	--	--	(42)	--	--	--	--	--
Add: Unamortized bond premiums	1,553	--	2,623	--	1,048	--	--	--
Net debt	15,794	3,575	38,386	13,124	16,627	1,909	1,921	292

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
2021	7,190	2,782	2,120	410	19,543	6,175	25,718
2022	7,450	2,522	2,160	370	17,617	5,485	23,102
2023	7,675	2,253	2,195	329	16,601	4,826	21,427
2024	7,960	1,974	2,235	288	16,961	4,207	21,168
2025	8,260	1,685	2,275	246	15,609	3,572	19,181
2026-2030	46,175	3,694	11,955	567	76,082	9,708	85,790
2031-2035	--	--	--	--	11,678	1,905	13,583
2036-2040	--	--	--	--	1,105	142	1,247
Total debt service requirements	84,710	14,910	22,940	2,210	175,196	36,020	211,216
Less: Unamortized bond discounts	(50)	--	--	--	(92)	--	(92)
Add: Unamortized bond premiums	533	--	--	--	5,757	--	5,757
Net debt	$ 85,193	14,910	22,940	2,210	180,861	36,020	216,881

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.08% - 6.50%.

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, 2020, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
Austin Water		
Series 2010A	11/15/2020	$ 8,100
Series 2011	11/15/2020 - 11/15/2021	39,950
Series 2012	11/15/2020 - 11/15/2022	29,055
Series 2013A	11/15/2020 - 11/15/2021	16,095
Series 2014	11/15/2020 - 5/15/2022	8,235
Series 2015A	11/15/2021 - 5/15/2022	7,675
		$ 109,110

(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 benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Plan Financial Statements -- The most recently available financial statements of the pension funds are for the year ended December 31, 2019. 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. 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

	City Employees	Police Officers	Fire Fighters
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.	Members are eligible for retirement benefits at any age with 23 years creditable service (excluding pre-membership military service), age 55 and 20 years creditable service (excluding pre-membership military service), or age 62 and any number of creditable service years.	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.	Average of 36 highest months of base salary plus longevity pay multiplied by years and months of service multiplied by 3.2%.	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 or normal retirement calculation. Must have 10 years of service if disability is not job related.	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 was put into effect in 2002.	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 was put into effect in 2007.	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 was put into effect for 2020.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

Employees Covered by Benefit Terms -- Membership in the plans as of December 31, 2019, is as follows:

	City Employees	Police Officers	Fire Fighters
Inactive employees or beneficiaries currently receiving benefits	6,703	950	854
Inactive employees entitled to but not yet receiving benefits	3,057 (1)	112 (2)	10
Active employees	10,149	1,872	1,130
Total	19,909	2,934	1,994

(1) Includes 1,271 terminated vested members and 1,786 nonvested terminated members due refunds.
(2) Includes 43 terminated vested members and 69 nonvested terminated members due refunds.

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.

	City Employees	Police Officers	Fire Fighters
Employee contribution (percent of earnings)	8%	13%	18.7%
City contribution (percent of earnings)	18% (1)	21.313% (2)	22.05%
City contributions year ended September 30, 2020 (in thousands)	$127,990	36,268	21,141

(1) A rate of 19% was effective January 1, 2021.
(2) A rate of 21.737% was effective October 1, 2020.

The City's net pension liability was measured as of December 31, 2019 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, 2018 using the final 2019 assumptions and then was rolled forward to the plan's year ending December 31, 2019.

Actuarial Assumptions -- Actuarial assumptions used in the most recent actuarial valuations include:

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.5%	2.5%	2.5%
Projected annual salary increases	3.5% to 5.75%	3.00% to 15.2% Service based (1)	3.25% to 10% Service based
Investment rate of return	7%	7.25%	7.5%
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 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. 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-2019 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

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
City Employees:		
US equity	32.0%	5.07%
Developed markets equities	15.0%	6.43%
Emerging markets equities	8.0%	7.26%
Fixed income	20.0%	2.88%
Alternative investments	15.0%	2.23% to 7.29%
Real estate	10.0%	5.27%
Total	100.0%	
Police Officers:		
Domestic equity	42.5%	7.5%
International equity	15.0%	8.5%
Other equity	7.5%	7.5%
US and non-US fixed income	10.0%	3%
Other fixed income	5.0%	3.5%
Real estate	15.0%	4.5%
Multi asset class	5.0%	5%
Total	100.0%	
Fire Fighters:		
Public domestic equity	20.0%	5.5%
Public foreign equity	22.0%	6.9%
Private equity fund of funds	15.0%	6.3%
Investment grade bonds	13.0%	1.3%
Treasury inflation protected securities	5.0%	1%
High yield/bank loans	5.0%	3.7%
Emerging market debt	7.0%	2.7%
Core real estate	5.0%	3.2%
Non-core real estate	5.0%	4.9%
Natural resources	3.0%	6.9%
Total	100.0%	

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 City Employees' and Fire Fighters' 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. Police Officers' fund was projected to be available to make projected future payments of current active and inactive employees through the year 2045. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2045 fiscal year, and the municipal bond rate of 2.75% was applied to all benefit payments after that date, with the resulting blended discount rate being 4.1%.

	City Employees	Police Officers	Fire Fighters
Discount rate	7.0%	4.1%	7.5%
Change since last measurement date	(0.5%)	(0.6%)	(0.2%)
Long-term expected rate of return on pension plan investments	7.0%	7.25%	7.5%
Cash flow assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the current rate for 36 years and then will decrease to 8%.	Plan member contributions and City contributions will be made at current contribution rates and will remain a level percentage of payroll.	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.

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability
City Employees	6.0%	$ 2,127,420	7.0%	$ 1,559,851	8.0%	$ 1,090,316
Police Officers	3.1%	1,663,204	4.1%	1,317,331	5.1%	1,039,707
Fire Fighters	6.5%	236,671	7.5%	126,132	8.5%	32,630

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, 2019 are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2018	$ 3,989,560	1,904,954	1,093,179	6,987,693
Changes for the year:				
Service cost	117,635	71,334	26,192	215,161
Interest	295,341	89,680	84,547	469,568
Benefit changes	--	--	8,059	8,059
Differences between expected and actual experience	23,672	(4,743)	(9,835)	9,094
Assumption changes	279,897	179,003	12,707	471,607
Contribution buy back	--	1,261	--	1,261
Benefit payments including refunds	(218,221)	(66,319)	(58,824)	(343,364)
Net change in total pension liability	498,324	270,216	62,846	831,386
Total pension liability at December 31, 2019	4,487,884	2,175,170	1,156,025	7,819,079
Total plan fiduciary net position at December 31, 2018	2,461,383	718,520	909,118	4,089,021
Changes for the year:				
Employer contributions	123,610	35,993	21,058	180,661
Employee contributions	63,626	21,942	17,858	103,426
Contribution buy back	--	1,261	--	1,261
Pension plan net investment income (loss)	503,853	148,163	141,535	793,551
Benefits payments and refunds	(218,221)	(66,319)	(58,824)	(343,364)
Pension plan administrative expense	(6,218)	(1,721)	(852)	(8,791)
Net change in total plan fiduciary net position	466,650	139,319	120,775	726,744
Total plan fiduciary net position at December 31, 2019	2,928,033	857,839	1,029,893	4,815,765
Net pension liability at December 31, 2018	1,528,177	1,186,434	184,061	2,898,672
Net pension liability at December 31, 2019	$ 1,559,851	1,317,331	126,132	3,003,314

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

The City Employees' fund had no significant changes to benefit terms that affected the total pension liability for the measurement period. However, a number of assumptions were revised as the result of an updated experience study:

- The investment rate of return was decreased from 7.5% to 7%.
- The inflation assumption was lowered from 2.75% to 2.5% per year.
- The salary increase assumption was decreased from 4% to 3.5%.
- The new hire wage growth assumption was decreased from 4% to 3.5%.
- The tables for rates of retirement as well as termination rate assumptions were revised to be more consistent with actual experience.
- Mortality tables were changed from RP-2014 to PubG-2010.

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 related to the blended discount rate which changed from 4.7% to 4.1% as a result of changes to the municipal bond rate from 3.71% to 2.75%.

The Fire Fighters' fund had changes of assumptions and benefit terms that affected the pension liability. Effective January 1, 2020 a cost-of-living adjustment increase of 1.7% went into effect.

Changes of assumptions as the result of an updated experience study for the Fire Fighters' fund included:

- The investment rate of return was decreased from 7.7% to 7.5%.
- The inflation assumption was lowered from 2.75% to 2.5% per year.
- Assumptions related to salary increases, retirement rates, retro-drop elections, withdrawal rates and disability rates were all adjusted to be more consistent with experience.
- Although the mortality tables used, PubS-2010(A), remained the same, scale MP-2019 was used to project mortality improvement five years beyond the valuation date replacing scale MP-2018 which was used in the previous year.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2020, was comprised of the following (in thousands):

	Pension Expense
City Employees	$ 281,806
Police Officers	201,941
Fire Fighters	36,488
Total	$ 520,235

7 – RETIREMENT PLANS, continued
d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020, 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	$ 94,010	26,594	15,448	136,052
Differences between expected and actual experience	36,300	15,869	9,635	61,804
Changes in assumptions	231,082	674,755	12,747	918,584
Changes in proportionate share (between funds)	13,332	--	--	13,332
Total	374,724	717,218	37,830	1,129,772
Deferred Inflows of Resources				
Differences between expected and actual experience	--	17,127	9,157	26,284
Changes in assumptions	--	--	3,584	3,584
Net difference between projected and actual earnings on pension plan investments	137,798	23,355	29,779	190,932
Changes in proportionate share (between funds)	13,332	--	--	13,332
Total	$ 151,130	40,482	42,520	234,132

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
2021	$ 33,052	102,938	(6,911)	129,079
2022	27,757	100,452	(7,803)	120,406
2023	64,897	105,967	7,940	178,804
2024	(8,118)	85,200	(13,062)	64,020
2025	11,996	103,064	(330)	114,730
Thereafter	--	152,521	28	152,549
Total	$ 129,584	650,142	(20,138)	759,588

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 2020 plan year, (January 1 to December 31), the percentage of the maximum subsidy paid by the City was as follows:

Years of Service at Retirement	Percent of Maximum Subsidy Paid by the City
<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 rollforward in the off years. The current year is a valuation 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	24,122

b -- Total OPEB Liability

The City's total OPEB liability of $3.5 billion was determined by an actuarial valuation as of December 31, 2019, the measurement date. Of the total liability, $56.3 million is considered to be due within one year and the remaining $3.4 billion is considered to be a long-term liability.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
b -- Total OPEB Liability, continued

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	• 2.74%
Healthcare cost trend rates	
Medical (pre-65)	• 7.00% graded to 4.50% over 10 years
Medical (post-65)	• 6.00% graded to 4.50% over 6 years
Prescription drug	• 8.00% graded to 4.50% over 14 years
Administrative costs	• 2.50%
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)	• RP-2014 Blue Collar Employee Mortality Tables projected generationally using scale BB from 2014
General (Healthy retirees)	• RP-2014 Blue Collar Healthy Annuitant Mortality Tables projected generationally using scale BB from 2014
General (Disabled retirees)	• RP-2014 Blue Collar Healthy Annuitant Mortality Tables, set forward 3 years, projected generationally using Scale BB from 2014, with a minimum 3% rate of mortality applicable at all ages
Police (Actives)	• PubS-2010 Employee Mortality Table projected generationally using the ultimate mortality improvement rates in the MP tables
Police (Healthly 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-2018
Fire (Healthy Retirees)	• PubS-2010(A) Healthy Retiree Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2018
Fire (Disabled retirees)	• PubS-2010(A) Disabled Mortality Table projected from 2010 to 5 years beyond the valuation date using scale MP-2018

Discount Rate -- The discount rate for OPEB 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, 2019, the City's actuaries used the Bond Buyer US Weekly Yields 20 General Obligation Bond Index of 2.74%. The decrease in the discount rate from 4.10% in the prior year to 2.74% in the current year resulted in a significant increase in the total OPEB liability. Over 70% of the increase from the prior year, or $796 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).

1% Decrease		Current Discount Rate		1% Increase	
Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
1.74%	$ 4,310,667	2.74%	$ 3,504,494	3.74%	$ 2,892,968

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).

1% Decrease	Current Rate	1% Increase
Total OPEB Liability	Total OPEB Liability	Total OPEB Liability
$ 2,837,526	$ 3,504,494	$ 4,403,942

Schedule of Changes in Total OPEB Liability -- Changes in the total OPEB liability for the measurement period ended December 31, 2019 is as follows (in thousands):

Total OPEB liability at December 31, 2018	$ 2,395,447
Changes for the year:	
Service cost	88,486
Interest	100,978
Benefit changes	(3,829)
Differences between expected and actual experience	12,335
Assumption changes	953,202
Benefit payments	(42,125)
Net change in total OPEB liability	1,109,047
Total OPEB liability at December 31, 2019	$ 3,504,494

The OPEB plan changes included:

- Decreasing the maximum value of the Health Reimbursement Account for retirees in the Consumer Driven Health Plan from $1,000 to $500 for individuals and $1,500 to $1,000 for families effective January 1, 2020.

The OPEB plan assumption changes included:

- Decreasing the discount rate from 4.10% to 2.74% based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Updating medical and prescription drug claim costs each year to reflect the most recent experience,
- Modifying medical and prescription drug trend rates in 2019 by adjusting 2020 assumed trend rates from 6.5% to 7.0% for pre-65 and 5.5% to 6.0% for post-65, and trending all rates down at 0.25% rather than 0.5% annually.
- Updating administrative expenses to reflect the most recent vendor contracts (currently $426 load annually per covered individual),
- Adjusting retiree enrollment and plan election assumptions in 2019 to be more consistent with actual experience, and
- 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.

c -- Other Postemployment Benefits Expense

Total OPEB expenses recognized by the City for the fiscal year ended September 30, 2020 were $331.5 million.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows	Deferred Inflows
Benefit payments subsequent to the measurement date	$ 35,256	--
Differences between expected and actual experience	49,385	--
Changes in assumptions	995,865	201,975
Changes in proportionate share (between funds)	28,498	28,498
Total	$ 1,109,004	230,473

The portion of deferred outflows and inflows of resources that will be recognized in OPEB expense is as follows (in thousands):

Fiscal Year Ended September 30	
2021	$ 139,214
2022	139,214
2023	139,214
2024	139,214
2025	118,512
Thereafter	167,907
Total	$ 843,275

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 Derivatives
Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, 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, 2020, $66 thousand in premiums was deferred. As of September 30, 2020, the fair value of Austin Energy's futures, options, and swaps was an unrealized gain of $20 thousand, of which $76 thousand is reported as derivative instruments in liabilities and $96 thousand 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 Derivatives
Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. 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 2020, Austin Energy sold PCRRs and recorded a gain of $167 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2020, $328 thousand remained deferred.

On September 30, 2020, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

		Fair Value at September 30, 2020				
Type of Transaction	**Reference Index**	**Maturity Dates**	**Notional Volumes**	**Fair Value**	**Change in Fair Value**	**Premiums Deferred**
Long OTC Call Options	Henry Hub	Jun 2021 - Sep 2021	1,220,000 (1)	$ 96	80	145
Derivative instruments (assets)				96	80	145
Short OTC Put Options	Henry Hub	Jun 2021 - Sep 2021	(1,220,000) (1)	(76)	68	(79)
Derivative instruments (liabilities)				(76)	68	(79)
Total				$ 20	148	66

(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 contracts expose Austin Energy to custodial credit risk on exchange-traded derivative positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected.

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, 2020, 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 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 derivatives up to the fair value of the instrument.

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (Katy/HSC) different than that at which the financial hedging contracts are expected to settle i.e. NYMEX (Henry Hub). As of September 30, 2020, the NYMEX price was $2.10 per MMBTU (one million British thermal unit, a measurement of heating value), Katy was $2.18 per MMBTU, and the HSC Hub price was $2.12 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, 2020, the City has two outstanding swap transactions with initial and outstanding notional amounts totaling $295.9 million and $168 million, respectively. The fair values of the interest rate derivative 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, 2020, 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	$ 97,240	(20,033)
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	70,765	(10,380)
					$ 168,005	(30,413)

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, 2020 (in thousands):

Item	Outstanding Notional Amount	Fair Value and Classification Amount	Classification	Change in fair value Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 97,240	(20,033)	Non-current liability	3,172	--
HOT1	70,765	(10,380)	Non-current liability	1,571	--
	$ 168,005	(30,413)		4,743	--

Due to the continued low interest rate levels during fiscal year 2020, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2020. 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, 2020, 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, 2020, 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)	A3	BBB+	BBB

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, 2020, 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	$	(3,526)	889	(2,637)	(921)	(3,558)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008		(2,325)	500	(1,825)	(683)	(2,508)
		$	(5,851)	1,389	(4,462)	(1,604)	(6,066)

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, 2020, 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, 2020, 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, 2020, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable Rate Bonds (in thousands) Principal	Interest (1)	Interest Rate Swaps, Net	Total Interest
2021	$ 9,285	29	5,511	5,540
2022	6,810	27	5,275	5,302
2023	17,385	25	4,923	4,948
2024	17,350	22	4,330	4,352
2025	17,945	19	3,721	3,740
2026-2030	85,250	49	10,635	10,684
2031-2035	13,980	1	335	336
Total	$ 168,005	172	34,730	34,902

(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, 2020, 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.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
Child Safety	$ 29
PARD Parking	57
Housing Assistance 2018	13,685
One Texas Center	24
Capital Projects Funds:	
2018 fund	
Open Space	21,308
Other funds	
General government projects	92,340
Fire - general	19,949
Public Works	604
City Hall, plaza, parking garage	4,962
Waller Creek District	8,169
Nonmajor Enterprise	
Austin Resource Recovery	112,273
Development Services	98,008
Transportation	115,253
Internal Service	
Capital Projects Management	961

11 – INTERFUND BALANCES AND TRANSFERS
a -- Interfund receivables, payables, and advances

Interfund receivables, payables, and advances at September 30, 2020, are as follows (in thousands):

	Due From				
Due To	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Nonmajor Enterprise**	**Total**
General Fund	$ 52	221	--	--	273
Nonmajor governmental	107,228	--	--	163	107,391
Airport	--	171	--	--	171
Nonmajor enterprise	--	--	301	1,506	1,807
Total	$ 107,280	392	301	1,669	109,642

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 ($108.7 million), the majority of which is related to capital project funds ($91.6 million). Deficits in grant funds awaiting reimbursement from grantors ($10.1 million) was borrowed from the Fiscal Surety - Land Development Fund.

	Advances To						
Advances From	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Airport**	**Nonmajor Enterprise**	**Internal Service**	**Total**
Nonmajor governmental	$ 48,791	--	--	2	126	3	48,922
Austin Water	271	6,105	--	--	--	--	6,376
Nonmajor enterprise	188	--	1,202	--	--	--	1,390
Total	$ 49,250	6,105	1,202	2	126	3	56,688

Advances to and advances from reflect borrowings that will not be liquidated within one year. The advances to Nonmajor Governmental will be funded by certificates of obligation for the Upper Onion Creek buyout project and CTECC IT computer hardware replacement. The advance to Austin Water 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, 2020, are as follows (in thousands):

	Transfers In						
Transfers Out	**General Fund**	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Nonmajor Enterprise**	**Internal Service**	**Total**
General Fund	$ --	16,178	--	--	9,386	--	25,564
Nonmajor governmental	179	87,621	118	--	76,986	--	164,904
Austin Energy	120,070	--	--	--	--	--	120,070
Austin Water	51,486	112	--	--	--	--	51,598
Airport	--	--	24	--	--	--	24
Nonmajor enterprise	612	11,031	19	53	129	601	12,445
Internal service	78	18,965	7	--	196	76	19,322
Total	$ 172,425	133,907	168	53	86,697	677	393,927

Interfund transfers are authorized through City council approval. Significant transfers include:

- Austin Energy and Austin Water transfer funds to the General Fund ($171.6 million), which are comparable to a return on investment to owners.
- The Hotel-Motel Occupancy Tax ($67.4 million) and the Vehicle Rental Tax ($8.8 million), both special revenue funds, transfer funds to the Convention Center in support of convention operations and debt services.
- Housing Assistance 2018 ($42.7 million), Neighborhood Housing & Conservation ($5.3 million) and UNO Housing Trust ($0.5 million), all special revenue funds, transfer funds to Austin Housing Finance Corporation in support of affordable housing.

12 – SELECTED REVENUES

a -- Major Enterprise Funds

Austin Energy and Austin Water

The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On July 2, 2018, the PUC approved the City's most recent wholesale transmission rate of $1.187214/KW. Transmission revenues totaled approximately $83.8 million in fiscal year 2020. 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, 2020, 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 factor 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 2020, the Airport fund revenues included minimum concession guarantees of $22,372,008.

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, 2020 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2021	$ 35,956
2022	33,206
2023	31,079
2024	30,709
2025	30,587
2026-2030	67,700
2031-2035	9,811
2036-2040	7,748
2041-2045	2,597
Thereafter	973
Totals	$ 250,366

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
2021	$ 2,931
2022	2,584
2023	2,546
2024	2,452
2025	2,334
2026-2030	13,522
2031-2035	12,675
2036-2040	12,032
2041-2045	10,549
Thereafter	53,047
Totals	$ 114,672

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 2020, the City had four active agreements under this program. Two agreements satisfied the compliance requirements in fiscal year 2020 which resulted in rebates of tax abatements of approximately $5.9 million. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur and a deadline for the refund of the taxes.

b -- Exemption Program

There were no active agreements under the Media Production Development and Zone Program during fiscal year 2020.

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 $37.2 million as of September 30, 2020. 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, 2020, Austin Energy's investment in the STP was approximately $369.4 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 requested a 20-year license extension for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The 20-year license renewal was issued by the 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, 2020, the trust's assets exceeded the total expenses amortized over the pro-rata useful life of the asset by $19.5 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning Trust Assets	$ 235,775
Pro Rata Decommissioning Expense	(216,266)
	$ 19,509

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, 2018 showed that the trust assets exceeded the minimum required assurance by $77.5 million.

d -- Purchased Power

Austin Energy has commitments totaling $5.0 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. At September 30, 2020, the financial statements include a $1.2 million short-term decommissioning liability related to Holly and a $301 thousand short-term environmental liability related to Fayette, classified as other liabilities. The amount is based on 2020 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 (DSRF), 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. See Note 18 for additional information.

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, 2020.

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. Housing and Urban Development Department, and U.S. Department of Transportation. 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 2020 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	$ 66,596
Public safety	90,771
Transportation, planning, and sustainability	242,773
Public health	17,449
Public recreation and culture	83,611
Urban growth management	59,826
Business-type activities:	
Electric	220,064
Water	142,180
Wastewater	183,289
Airport	140,978
Convention	63,463
Environmental and health services	14,566
Public recreation and culture	66
Urban growth management	118,550
Total	$ 1,444,182

j -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2020 is as follows (in thousands):

	Encumbrances
General Fund	$ 59,542
Nonmajor governmental	
Special Revenue	20,288
Capital Projects	153,277
	$ 233,107

Significant encumbrances include reservations for COVID-19 contracts ($21,594), the 2016 bond program ($50,063), General government projects ($23,801), and Fire general ($14,345).

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 is estimated to occur by March 31, 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, 2020, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 25,396	10,257	35,653
% capacity used	100%	100%	100%
Cumulative liability accrued	25,396	10,257	35,653
Costs incurred	(24,738)	--	(24,738)
Closure and postclosure liability	$ 658	10,257	10,915

These amounts are based on the 2020 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

l -- 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 $399.3 million (adjusted to 2020 dollars) and an associated deferred outflows of resources of $183 million. Austin Energy has restricted assets held in an irrevocable trust to cover the eventual decommissioning costs and as of September 30, 2020, trust assets totaled $235.8 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 $17.4 million and an associated deferred outflows of resources of $15.5 million. Austin Energy, as joint owner of the facility, will amortize the deferred outflow related to regulatory obligations over 22 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 5 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, 2020 and is reported as asset retirement obligations in the Austin Water fund, a major enterprise fund. The associated deferred outflow of $522 thousand will be amortized over the remaining useful lives of the City's wastewater treatment plants, which range from 6 to 41 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, 2020 and is reported as asset retirement obligations in the Fleet Maintenance fund, an internal service fund. The associated deferred outflow of $129 thousand will be amortized over the remaining useful lives of the City's petroleum underground storage tanks, which range from 1 to 23 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 79% of retirees use the PPO option; approximately 12% of City employees and 19% of retirees use the HMO option; and approximately 15% 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. The stated threshold amount was $500,000 up to maximum of $5 million in 2018. Beginning in 2019 the limit was changed to $750,000 with an unlimited maximum. 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. In fiscal year 2018, eleven claims exceeded the stop loss limit of $500,000. 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 for the last four years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third-party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. 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 $49.7 to $54.8 million. In accordance with GAAP, $49.7 million is recognized as claims payable in the financial statements with $26 million recognized as a current liability and $23.7 million recognized as long term. 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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Liability balances, beginning of year	$ 232	69	310	353	--	--
Claims and changes in estimates	66	275	108	156	8	2
Claim payments	(46)	(112)	(108)	(199)	(8)	(2)
Liability balances, end of year	252	232	310	310	--	--

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Liability balances, beginning of year	16,187	16,525	2,172	4,440	28,881	27,009
Claims and changes in estimates	165,241	162,292	999	(1,186)	3,693	6,100
Claim payments	(162,806)	(162,630)	(1,013)	(1,082)	(4,232)	(4,228)
Liability balances, end of year	$ 18,622	16,187	2,158	2,172	28,342	28,881

The Austin Water fund claims liability balance at fiscal year-end included liabilities of $250 thousand discounted at 2.46% in 2020 and $264 thousand discounted at 2.90% in 2019. The Liability Reserve fund claims liability balance had no discounted liability in 2020 and $455 thousand discounted at 2.90% in 2019.

n -- Redevelopment of Robert Mueller Municipal Airport

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

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

The MLGC has three additional debt issuances: October 2009 ($15,000,000), October 2012 ($16,735,000), and October 2014 ($15,845,000). Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

The development contains over 2.9 million square feet of civic, institutional, hotel and Class A office space, including over 650,000 square feet of retail space that is either complete or under construction. From the start of home sales in 2007, the community has been well received. As of September 30, 2020, approximately 2,241 single-family homes and 2,519 multi-family units were either complete or under construction. Construction continues on two office buildings in the Town Center, where two additional multi-family apartment buildings and a boutique hotel also broke ground. In addition, Dell Children's Hospital started construction on a hospital expansion. Catellus has also recently completed construction on another park, to bring the current total of parks to over 95 acres.

o -- 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. $1,989,594 in total assessments were levied in the year ended September 30, 2020. The aggregate principal outstanding at September 30, 2020 is $11,225,000.

14 – COMMITMENTS AND CONTINGENCIES, continued
o -- No-Commitment Special Assessment Debt, continued

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. $409,404 in total assessments were levied in the year ended September 30, 2020. The aggregate principal outstanding at September 30, 2020 is $2,180,000.

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. $1,752,019 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, 2020 are $9,145,000 and $833, respectively.

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. 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. $931,158 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, 2020 are $12,345,000 and $141,498, respectively.

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. $339,447 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, 2020 are $4,500,000 and $4,973, respectively.

p -- 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, respectively. See Note 6 for the debt service requirements on these leases.

The following summarizes capital assets recorded at September 30, 2020, 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	(4,186)	(632)
Net capital assets	$ 33,773	773

14 – COMMITMENTS AND CONTINGENCIES, continued
q -- 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, 2020, was $35.6 million. Future minimum payments on these non-cancelable operating leases is as follows (in thousands):

Fiscal Year Ended September 30	Future Lease Payments
2021	$ 28,161
2022	28,376
2023	27,727
2024	21,420
2025	10,546
2026-2030	15,075
2031-2035	2,191
2036-2040	1,634
2041-2045	1,634
Thereafter	11,435
Totals	$ 148,199

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, 2020. 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, 2020, $194.7 million in housing revenue bonds were outstanding with an original issue value of $200.8 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, 2020, $114.4 million in revenue and revenue refunding bonds were outstanding with an original issue value of $148.6 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 – 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	$ 135,682
Advances to other funds	26
Capital assets	199,640
Other noncurrent assets	128,113
Total assets	463,461
Deferred outflows of resources	48,343
LIABILITIES	
Other current liabilities	19,973
Other noncurrent liabilities	225,292
Total liabilities	245,265
Deferred inflows of resources	7,530
NET POSITION	
Net investment in capital assets	90,485
Restricted	140,793
Unrestricted	27,731
Total net position	$ 259,009

Condensed Statement of Revenues, Expenses, and Changes in Net Position

OPERATING REVENUES	
User fees and rentals	$ 16,655
Total operating revenues	16,655
OPERATING EXPENSES	
Operating expenses before depreciation	64,085
Depreciation and amortization	8,588
Total operating expenses	72,673
Operating income (loss)	(56,018)
Nonoperating revenues (expenses)	(7,654)
Transfers	70,987
Change in net position	7,315
Beginning net position	251,694
Ending net position	$ 259,009

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$ (37,799)
Noncapital financing activities	70,970
Capital and related financing activities	(28,941)
Investing activities	7,091
Net increase (decrease) in cash and cash equivalents	11,321
Cash and cash equivalents, beginning	233,184
Cash and cash equivalents, ending	$ 244,505

18 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

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.

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.

b -- 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 are being 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.

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.

c -- 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.

18 – SUBSEQUENT EVENTS, continued
d -- 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 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.

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 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.

e -- ABLE grant payment

ABLE, a discretely presented component unit, issues bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. Due to the significant reduction in hotel revenues as a result of COVID-19, ABLE did not have the full funding required for its October 1, 2020 debt service payment and had to draw $1.6 million from ABLE's Senior Debt Service Reserve Fund (DSRF). On October 15, 2020, the Airport received notice of the deficiency in ABLE's DSRF and subsequently determined that sufficient Surplus Airport System Revenues were available to fund the deficiency. The Airport paid $1.6 million to ABLE's DSRF trustee in February 2021.

f -- Emergency Rental Assistance Funding

In January 2021 the City received $29.6 million from the US Department of the Treasury for the COVID-19 relief Emergency Rental Assistance Program grant. The Housing and Planning Department will oversee this grant which will be used to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic.

g -- Winter Storms Uri and Viola

Beginning on February 14, 2021, a series of winter storms brought record-breaking low temperatures and snowfall to the Austin region and all of Texas. In the face of the frigid conditions, increased energy and heating demands by utility customers coupled with the failure of a number of power generation facilities across the state caused the Electric Reliability Council of Texas (ERCOT) to take action to protect the straining Texas power grid. ERCOT ordered a reduction in power usage by all utilities in Texas in the form of rolling blackouts to manage the strain and prevent more permanent damage to the electric grid in the state; however, due to the severity of the weather event, Texas residents experienced widespread and prolonged power outages. The power outages and unusually cold temperatures also caused disruptions to Austin Water's water distribution systems, requiring the City of Austin to enact a citywide boil-water notice.

Austin Energy's generation assets largely stayed online during the event and no material impacts are expected to Austin Energy's operations or financial position. Although there is potential financial exposure of market defaults being passed through to Austin Energy by ERCOT, Austin Energy does not anticipate liquidity issues. Additionally, Fitch Ratings, Inc. and S&P Global Ratings placed Austin Energy and other retail and wholesale public utilities within the geographic footprint of ERCOT on negative watch. Austin Energy is and will be monitoring developments, both from a legislative and a financial standpoint.

In addition to private property losses, the City of Austin experienced damage to public property. The City is assessing impairments to City assets and submitting insurance claims. As a result of the significant impact to the area, the City anticipates receiving grant funding from the Federal Emergency Management Agency in 2021 to assist with restoration and cleanup of public property.

h -- American Rescue Plan Act

On March 11, 2021, the President signed the American Rescue Plan Act, which provides various levels of support for communities impacted by the pandemic. Under a population based formula, the City expects to receive approximately $196 million in added support over the next two years.

REQUIRED SUPPLEMENTARY INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2020
(In thousands)

General Fund	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 788,255	100	788,355	797,733	797,733	(9,378)
Franchise fees	28,505	(6)	28,499	29,028	29,028	(529)
Fines, forfeitures and penalties	4,447	--	4,447	8,453	8,453	(4,006)
Licenses, permits and inspections	15,069	--	15,069	16,738	16,738	(1,669)
Charges for services/goods	52,491	(625)	51,866	66,657	66,657	(14,791)
Interest and other	22,523	(10,995)	11,528	12,771	12,939	(1,411)
Total revenues	911,290	(11,526)	899,764	931,380	931,548	(31,784)
EXPENDITURES						
General government						
Municipal Court	30,175	1,665	31,840	33,336	33,336	1,496
Public safety						
Emergency Medical Services	63,793	26,336	90,129	93,318	93,318	3,189
Fire	140,005	58,134	198,139	200,933	205,933	7,794
Police	336,644	95,608	432,252	434,551	434,551	2,299
Public health						
Animal Services	12,493	2,052	14,545	15,983	15,983	1,438
Public Health	45,069	2,929	47,998	50,119	50,037	2,039
Social Services	38,752	961	39,713	39,855	39,855	142
Public recreation and culture						
Austin Public Library	45,027	7,495	52,522	55,086	55,086	2,564
Parks and Recreation	81,783	10,158	91,941	100,394	100,394	8,453
Urban growth management						
Neighborhood Housing and Community Development	14,427	(2,046)	12,381	26,427	26,427	14,046
Planning and Zoning	6,912	2,167	9,079	9,808	9,808	729
Other urban growth management	24,603	7,085	31,688	32,152	32,152	464
General city responsibilities (4)	182,589	(195,220)	(12,631)	7,209	48,815	61,446
Total expenditures	1,022,272	17,324	1,039,596	1,099,171	1,145,695	106,099
Excess (deficiency) of revenues over expenditures	(110,982)	(28,850)	(139,832)	(167,791)	(214,147)	74,315
OTHER FINANCING SOURCES (USES)						
Transfers in	172,425	140,939	313,364	229,031	224,031	89,333
Transfers out	(25,564)	(141,071)	(166,635)	(82,787)	(78,037)	(88,598)
Total other financing sources (uses)	146,861	(132)	146,729	146,244	145,994	735
Excess (deficiency) of revenues and other sources over expenditures and other uses	35,879	(28,982)	6,897	(21,547)	(68,153)	75,050
Fund balance at beginning of year	235,636	(21,883)	213,753	170,669	170,669	43,084
Fund balance at end of year	$ 271,515	(50,865)	220,650	149,122	102,516	118,134

(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.

See Required Supplementary Information - Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances -Budget and Actual-Budget Basis

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 fourteen 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 Barton Springs Conservation, Budget Stabilization Reserve, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Housing and Planning Technology, 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 ($2,644,493).

b -- Budget Amendments

There were several budget amendments during fiscal year 2020, primarily due to increased spending as a result of COVID-19:

- Austin Public Health revenue and expense budgets increased by $167,619 due to a budget amendment as a result of a new interlocal agreement with the City of Pflugerville to provide public health services. In addition, $250,000 of the public health expense budget in the Budget Stabilization Reserve fund was reallocated to transfers out.
- Austin Fire Department's expenditure budget was increased $5,000,000 to cover additional sworn personnel costs. In conjunction with this, Budget Stabilization fund transfers in and General Fund transfers out were each reduced by $5,000,000.
- General City Responsibilities expense budget increased by $41,606,271 for the following COVID-19 response programs:
  - $2,804,760 for emergency housing and support services
  - $15,000,000 for emergency support in Relief in a State of Emergency (RISE) fund
  - $1,500,000 for the Austin Music Disaster Relief Fund
  - $2,101,511 for COVID-19 emergency relief
  - $2,200,000 for emergency food access for caregivers and students
  - $18,000,000 for the revolving loan programs and grants

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):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 35,879
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	1,332
Net compensated absences accrual	(107)
Outstanding encumbrances established in current year	(53,333)
Payments against prior year encumbrances	27,621
Other	(4,495)
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 6,897

Required Supplementary Information
Retirement Plans- Trend Information
September 30, 2020
(In thousands)

Schedule of Changes in the City Employees' Fund Net Pension Liability and Related Ratios
Measurement Period Ended December 31

	2014	2015	2016
Beginning total pension liability	$ 2,909,918	3,094,056	3,391,796
Changes for the year:			
Service cost	89,235	93,506	107,111
Interest	222,710	236,844	251,684
Differences between expected and actual experience	33,911	13,414	19,914
Assumption changes	--	123,493	--
Benefit payments including refunds	(161,718)	(169,517)	(179,129)
Net change in total pension liability	184,138	297,740	199,580
Ending total pension liability	3,094,056	3,391,796	3,591,376
Beginning total plan fiduciary net position	2,130,624	2,209,800	2,144,804
Changes for the year:			
Employer contributions	93,331	100,485	104,273
Employee contributions	50,490	54,066	60,801
Pension plan net investment income (loss)	99,704	(47,608)	171,640
Benefits payments and refunds	(161,718)	(169,517)	(179,129)
Pension plan administrative expense	(2,631)	(2,422)	(2,701)
Net change in plan fiduciary net position	79,176	(64,996)	154,884
Ending total plan fiduciary net position	2,209,800	2,144,804	2,299,688
Beginning net pension liability	779,294	884,256	1,246,992
Ending net pension liability	$ 884,256	1,246,992	1,291,688
Plan fiduciary net position as a percentage of the total pension liability	71.42%	63.24%	64.03%
Covered Payroll	$ 514,787	546,058	573,308
City's net pension liability as a percentage of of covered payroll	171.77%	228.36%	225.30%

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.

	2017	2018	2019
Beginning total pension liability	3,591,376	3,797,823	3,989,560
Changes for the year:			
Service cost	107,767	111,438	117,635
Interest	266,257	281,404	295,341
Differences between expected and actual experience	22,755	1,882	23,672
Assumption changes	--	--	279,897
Benefit payments including refunds	(190,332)	(202,987)	(218,221)
Net change in total pension liability	206,447	191,737	498,324
Ending total pension liability	3,797,823	3,989,560	4,487,884
Beginning total plan fiduciary net position	2,299,688	2,650,438	2,461,383
Changes for the year:			
Employer contributions	110,846	116,486	123,610
Employee contributions	56,194	58,713	63,626
Pension plan net investment income (loss)	376,820	(157,242)	503,853
Benefits payments and refunds	(190,332)	(202,987)	(218,221)
Pension plan administrative expense	(2,778)	(4,025)	(6,218)
Net change in plan fiduciary net position	350,750	(189,055)	466,650
Ending total plan fiduciary net position	2,650,438	2,461,383	2,928,033
Beginning net pension liability	1,291,688	1,147,385	1,528,177
Ending net pension liability	1,147,385	1,528,177	1,559,851
Plan fiduciary net position as a percentage of the total pension liability	69.79%	61.70%	65.24%
Covered Payroll	609,553	640,464	678,500
City's net pension liability as a percentage of of covered payroll	188.23%	238.60%	229.90%

Required Supplementary Information
Retirement Plans- Trend Information
September 30, 2020
(In thousands)

Schedule of Changes in the Police Officers' Fund Net Pension Liability and Related Ratios
Measurement Period Ended December 31

	2014	2015	2016
Beginning total pension liability	$ 909,000	971,623	1,028,909
Changes for the year:			
Service cost	30,254	32,138	32,990
Interest	72,443	76,999	80,846
Benefit changes	(11,015)	(4,080)	--
Differences between expected and actual experience	--	(6,318)	7,455
Assumption changes	14,137	3,904	5,148
Contribution buy back	2,207	4,648	1,668
Benefit payments including refunds	(45,403)	(50,005)	(50,827)
Net change in total pension liability	62,623	57,286	77,280
Ending total pension liability	971,623	1,028,909	1,106,189
Beginning total plan fiduciary net position	595,110	638,019	644,174
Changes for the year:			
Employer contributions	32,400	33,239	33,814
Employee contributions	19,458	20,061	20,623
Contribution buy back	2,207	4,648	1,668
Pension plan net investment income (loss)	35,574	(322)	37,965
Benefits payments and refunds	(45,403)	(50,005)	(50,827)
Pension plan administrative expense	(1,327)	(1,466)	(1,397)
Net change in plan fiduciary net position	42,909	6,155	41,846
Ending total plan fiduciary net position	638,019	644,174	686,020
Beginning net pension liability	313,890	333,604	384,735
Ending net pension liability	$ 333,604	384,735	420,169
Plan fiduciary net position as a percentage of the total pension liability	65.67%	62.61%	62.02%
Covered Payroll	$ 149,686	152,696	157,303
City's net pension liability as a percentage of of covered payroll	222.87%	251.96%	267.11%

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 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 0.90% 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.

	2017	2018	2019
Beginning total pension liability	1,106,189	1,189,591	1,904,954
Changes for the year:			
Service cost	35,322	33,757	71,334
Interest	84,472	90,479	89,680
Benefit changes	--	--	--
Differences between expected and actual experience	17,241	(12,905)	(4,743)
Assumption changes	--	666,873	179,003
Contribution buy back	2,915	1,142	1,261
Benefit payments including refunds	(56,548)	(63,983)	(66,319)
Net change in total pension liability	83,402	715,363	270,216
Ending total pension liability	1,189,591	1,904,954	2,175,170
Beginning total plan fiduciary net position	686,020	769,475	718,520
Changes for the year:			
Employer contributions	35,141	35,244	35,993
Employee contributions	21,437	21,461	21,942
Contribution buy back	2,915	1,142	1,261
Pension plan net investment income (loss)	82,072	(43,398)	148,163
Benefits payments and refunds	(56,548)	(63,983)	(66,319)
Pension plan administrative expense	(1,562)	(1,421)	(1,721)
Net change in plan fiduciary net position	83,455	(50,955)	139,319
Ending total plan fiduciary net position	769,475	718,520	857,839
Beginning net pension liability	420,169	420,116	1,186,434
Ending net pension liability	420,116	1,186,434	1,317,331
Plan fiduciary net position as a percentage of the total pension liability	64.68%	37.72%	39.44%
Covered Payroll	163,995	164,112	167,835
City's net pension liability as a percentage of of covered payroll	256.18%	722.94%	784.90%

Required Supplementary Information
Retirement Plans- Trend Information
September 30, 2020
(In thousands)

Schedule of Changes in the Fire Fighters' Fund Net Pension Liability and Related Ratios
Measurement Period Ended December 31

	2014	2015	2016
Beginning total pension liability	$ 806,282	861,468	913,618
Changes for the year:			
Service cost	25,319	23,309	24,323
Interest	62,977	66,405	70,893
Benefit changes	--	--	5,491
Differences between expected and actual experience	--	7,193	8,893
Assumption changes	4,883	--	--
Benefit payments including refunds	(37,993)	(44,757)	(45,495)
Net change in total pension liability	55,186	52,150	64,105
Ending total pension liability	861,468	913,618	977,723
Beginning total plan fiduciary net position	752,622	789,433	785,211
Changes for the year:			
Employer contributions	18,670	19,222	19,104
Employee contributions	14,660	15,547	15,884
Pension plan net investment income (loss)	42,005	6,328	55,569
Benefits payments and refunds	(37,993)	(44,757)	(45,496)
Pension plan administrative expense	(531)	(562)	(662)
Net change in plan fiduciary net position	36,811	(4,222)	44,399
Ending total plan fiduciary net position	789,433	785,211	829,610
Beginning net pension liability	53,660	72,035	128,407
Ending net pension liability	$ 72,035	128,407	148,113
Plan fiduciary net position as a percentage of the total pension liability	91.64%	85.95%	84.85%
Covered Payroll	$ 84,589	83,979	86,632
City's net pension liability as a percentage of of covered payroll	85.16%	152.90%	170.97%

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%; and 2020 - 1.7%.
- 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 7.70% to 7.50% in 2019.
- Since 2018 the PubS-2010 mortality tables were used with mortality improvement project using the MP-2018 tables in 2018 and the MP-2019 tables in 2019. 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.

	2017	2018	2019
Beginning total pension liability	977,723	1,038,801	1,093,179
Changes for the year:			
Service cost	23,830	25,131	26,192
Interest	75,812	80,552	84,547
Benefit changes	8,964	10,188	8,059
Differences between expected and actual experience	4,360	(735)	(9,835)
Assumption changes	--	(4,779)	12,707
Benefit payments including refunds	(51,888)	(55,979)	(58,824)
Net change in total pension liability	61,078	54,378	62,846
Ending total pension liability	1,038,801	1,093,179	1,156,025
Beginning total plan fiduciary net position	829,610	953,798	909,118
Changes for the year:			
Employer contributions	19,242	20,085	21,058
Employee contributions	16,319	17,033	17,858
Pension plan net investment income (loss)	141,915	(25,114)	141,535
Benefits payments and refunds	(51,888)	(55,979)	(58,824)
Pension plan administrative expense	(1,400)	(705)	(852)
Net change in plan fiduciary net position	124,188	(44,680)	120,775
Ending total plan fiduciary net position	953,798	909,118	1,029,893
Beginning net pension liability	148,113	85,003	184,061
Ending net pension liability	85,003	184,061	126,132
Plan fiduciary net position as a percentage of the total pension liability	91.82%	83.16%	89.09%
Covered Payroll	87,266	91,087	95,499
City's net pension liability as a percentage of of covered payroll	97.41%	202.07%	132.08%

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%

Notes to Schedule of Actuarially Determined City Contributions to the City Employees' Fund

Valuation Date	
Date	• December 31 of each calendar year occurring during the fiscal year.
Notes	• 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	• Entry Age Normal (all years)
Asset Valuation Method	• 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	• 2.50% for 2020, 2.75% for 2016 through 2019, 3.25% for 2015
Salary Increases	• 3.50% to 5.75% for 2020, 4.00% to 6.25% for 2016 through 2019, 4.50% to 6.00% for 2015
Investment Rate of Return	• 7.00% for 2020, 7.50% for 2016 through 2019, 7.75% for 2015
Retirement Age	• Experience-based table of rates that are gender specific. • 2020 - 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	• 2020 - Pub-2010 Public Retirement Plans Mortality Tables Report, for general employees (PubG-2010) with future mortality improvements modeled using the ultimate mortality improvement rates in the MP tables. • 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	• There were no benefit changes during the periods displayed.

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%
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%

(1) Statutorily required contribution for Police Officers decreased from 21.63% in 2015 to 21.313% in 2016.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

The other postemployment benefits plan information for the City's plan provided below represents three 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 three years ended December 31, 2017 through 2019 (measurement periods) are presented below:

Schedule of Changes in the City of Austin OPEB Liability and Related Ratios (in thousands)

	2017	2018	2019
Beginning total OPEB liability	$ 2,055,627	2,524,897	2,395,447
Changes for the year:			
Service cost	86,687	108,478	88,486
Interest	80,132	89,675	100,978
Benefit changes	--	231	(3,829)
Differences between expected and actual experience	64,227	--	12,335
Assumption changes	283,099	(274,758)	953,202
Benefit payments	(44,875)	(53,076)	(42,125)
Net change in total OPEB liability	469,270	(129,450)	1,109,047
Ending total OPEB liability	$ 2,524,897	2,395,447	3,504,494
Covered-employee payroll	$ 968,403	1,000,536	1,051,771
City's total OPEB liability as a percentage of covered-employee payroll	260.73%	239.42%	333.20%

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. 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 the change in vendors.

The OPEB plan assumption changes included:

- Decreasing the discount rate for 2017 from 3.78% to 3.44%, increasing the rate for 2018 to 4.10%, and decreasing the rate for 2019 to 2.74% based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- 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 5.0% to 4.5%; and in 2019 by adjusting 2020 assumed trend rates from 6.5% to 7.0% for pre-65 and 5.5% to 6.0% 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 $426 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 any 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.

APPENDIX C

COPY OF MASTER ORDINANCE

[THIS PAGE INTENTIONALLY LEFT BLANK]

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, Series1982", 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) <u>Required Owner Consent for Amendments</u>. 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) <u>Notice of Amendment Requiring Consent.</u> 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) <u>Time Period for Obtaining Consent</u> 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) <u>Revocation of Consent.</u> 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

(City Seal)

APPROVED:

ANDREW MARTIN
City Attorney

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

SELECTED MODIFIED PROVISIONS FROM ORDINANCES RELATING TO PRIOR SUBORDINATE LIEN OBLIGATIONS

<u>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.</u>

<u>Definitions</u>. 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 (in this documentafter defined) 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 in this documentafter specified, 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 (in this documentafter defined) 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) <u>Initial Financial Commitment</u>. 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 (in this documentafter referred to 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 documentabove 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 documentabove 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 in this documentafter described, 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 documentbefore 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.

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

APPENDIX E

FORM OF BOND COUNSEL'S OPINION

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 2021
$216,380,000

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 thirty-eighth supplemental ordinance to the Master Ordinance of the City authorizing the issuance of the Bonds (the "Thirty-Eighth 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.

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,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

SUMMARY OF REFUNDED BONDS (1)

Water and Wastewater System Revenue Refunding Bonds, Series 2011

Maturity		Interest Rate	Par Amount Refunded	Call Date	Call Price	CUSIP[2]
11/15/2022		4.000%	$190,000	12/21/2021	100% of par	0524766K9
11/15/2024		4.000%	2,050,000	12/21/2021	100% of par	0524766J2
11/15/2024		5.000%	4,040,000	12/21/2021	100% of par	0524764N5
11/15/2025		5.000%	13,545,000	12/21/2021	100% of par	0524766N3
11/15/2025		3.500%	3,000,000	12/21/2021	100% of par	052476YH5
11/15/2026		4.000%	3,250,000	12/21/2021	100% of par	052476YJ1
11/15/2026		5.000%	19,125,000	12/21/2021	100% of par	0524766M5
11/15/2027		5.000%	5,875,000	12/21/2021	100% of par	052476XX1
11/15/2028		5.000%	6,175,000	12/21/2021	100% of par	052476XY9
11/15/2029		5.000%	6,490,000	12/21/2021	100% of par	052476XZ6
11/15/2030		5.000%	6,825,000	12/21/2021	100% of par	052476YA0
11/15/2031		5.000%	4,000,000	12/21/2021	100% of par	052476YB8
11/15/2031		4.000%	3,155,000	12/21/2021	100% of par	052476YP7
11/15/2032		5.000%	7,510,000	12/21/2021	100% of par	052476YK8
11/15/2033		5.000%	7,895,000	12/21/2021	100% of par	052476YL6
11/15/2036 ***		5.000%	26,195,000	12/21/2021	100% of par	052476YC6
11/15/2041 ***	(3)	4.375%	5,000,000	12/21/2021	100% of par	052476YQ5
11/15/2041	(3)	5.000%	48,340,000	12/21/2021	100% of par	052476YD4
			$172,660,000			

(1) The refunding of any of the Refunded Bonds is contingent upon the delivery of the Bonds.
(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Service, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. The City and the Financial Advisor take no responsibility for the accuracy of the CUSIP numbers.
(3) Represents a term maturity.

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF AUSTIN, TEXAS • WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2021

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com