OFFICIAL STATEMENT DATED SEPTEMBER 12, 2018

Ratings: Moody's: "Aaa"
S&P: "AAA"
Fitch: "AAA"
(See "OTHER RELEVANT INFORMATION – Ratings" in this document)

NEW ISSUES – Book-Entry-Only

In the opinion of Bond Counsel to the City, interest on the Obligations (as defined below) of each series will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" in this document.

$65,595,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Improvement Bonds, Series 2018

$7,140,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Certificates of Obligation, Series 2018

$21,215,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Property Finance Contractual Obligations, Series 2018

Dated Date: October 3, 2018 **Due: As shown on the inside cover page**

Interest on the $65,595,000 City of Austin, Texas Public Improvement Bonds, Series 2018 (the "Bonds"), the $7,140,000 City of Austin, Texas Certificates of Obligation, Series 2018 (the "Certificates") and the $21,215,000 City of Austin, Texas Public Property Finance Contractual Obligations, Series 2018 (the "Contractual Obligations") will accrue from the dated date shown above, and in the case of the Bonds and Certificates will be payable March 1, 2019, and each September 1 and March 1 thereafter until maturity or redemption prior to maturity, and in the case of the Contractual Obligations will be payable May 1, 2019, and each November 1 and May 1 thereafter until maturity, and will be calculated on the basis of a 360–day year consisting of twelve 30–day months. The Bonds, the Certificates, and the Contractual Obligations are collectively referred to in this document as the "Obligations". The initial Paying Agent/Registrar for the Obligations is U.S. Bank, National Association, Dallas, Texas. See "OBLIGATION INFORMATION-Paying Agent/Registrar" in this document. The Bonds, the Certificates, and the Contractual Obligations will be offered separately by the City of Austin, Texas (the "City"), and delivery of each issue is not contingent upon the delivery of the other issues. The City intends to utilize the book-entry-only system of The Depository Trust Company, New York, New York, ("DTC") but reserves the right on its behalf or on behalf of DTC to discontinue such system. The book-entry-only system will affect the method and timing of payment and the method of transfer of the Obligations. See "OBLIGATION INFORMATION – Book-Entry-Only System" in this document.

In each Ordinance, the City Council delegated to a "Pricing Officer" the authority to effect the sale of each series of the Obligations, subject to the terms of each Ordinance. The Bonds are direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the issuance of the Bonds. The Certificates are direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and are additionally payable from and secured by a limited pledge of the surplus revenues (not to exceed $1,000) of the City's solid waste disposal system, as provided in the ordinance authorizing the issuance of the Certificates. The Contractual Obligations are direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the issuance of the Contractual Obligations. See "OBLIGATION INFORMATION – Security" in this document.

Proceeds from the sale of the Bonds will be used to finance various capital improvements and to pay costs of issuing the Bonds. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuing the Certificates. Proceeds from the sale of the Contractual Obligations will be used to purchase certain equipment and other personal property for use by various City departments and to pay costs of issuing the Contractual Obligations. See "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document.

See "MATURITY SCHEDULES" on next page

The Bonds and the Certificates are subject to optional redemption prior to their stated maturities as described in "OBLIGATION INFORMATION – Optional Redemption of the Bonds and the Certificates" in this document. The Contractual Obligations are not subject to redemption prior to their stated maturity. (See "OBLIGATION INFORMATION – No Redemption of the Contractual Obligations" in this document).

The Obligations are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. See "APPENDIX C – Forms of Bond Counsel's Opinions" in this document.

It is expected that the Obligations will be delivered through the facilities of DTC on or about October 3, 2018.

MATURITY SCHEDULES

$65,595,000
CITY OF AUSTIN, TEXAS
Public Improvement Bonds, Series 2018
Base CUSIP No. 052397 (1)

Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2019	$36,850,000	5.000%	1.750%	KQ8	2029	$1,425,000	5.000%	2.730% (2)	LA2
2020	2,185,000	5.000	1.850	KR6	2030	1,365,000	4.000	2.850 (2)	LB0
2021	1,935,000	5.000	1.950	KS4	2031	1,085,000	3.000	3.000	LC8
2022	2,025,000	5.000	2.060	KT2	2032	1,015,000	3.000	3.089	LD6
2023	2,145,000	5.000	2.190	KU9	2033	955,000	3.000	3.169	LE4
2024	2,245,000	5.000	2.340	KV7	2034	990,000	3.250	3.250	LF1
2025	2,270,000	5.000	2.450	KW5	2035	950,000	3.250	3.367	LG9
2026	2,380,000	5.000	2.540	KX3	2036	925,000	3.375	3.450	LH7
2027	1,615,000	5.000	2.610	KY1	2037	890,000	3.375	3.521	LJ3
2028	1,490,000	5.000	2.670	KZ8	2038	855,000	3.500	3.570	LK0

(Interest to accrue from the Dated Date)

$7,140,000
CITY OF AUSTIN, TEXAS
Certificates of Obligation, Series 2018
Base CUSIP No. 052397 (1)

Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2019	$250,000	5.000%	1.750%	LL8	2029	$365,000	5.000%	2.730% (2)	LW4
2020	235,000	5.000	1.850	LM6	2030	385,000	4.000	2.850 (2)	LX2
2021	245,000	5.000	1.950	LN4	2031	395,000	3.000	3.000	LY0
2022	255,000	5.000	2.060	LP9	2032	410,000	3.000	3.089	LZ7
2023	270,000	5.000	2.190	LQ7	2033	425,000	3.000	3.169	MA1
2024	285,000	5.000	2.340	LR5	2034	435,000	3.250	3.250	MB9
2025	300,000	5.000	2.450	LS3	2035	450,000	3.250	3.367	MC7
2026	315,000	5.000	2.540	LT1	2036	465,000	3.375	3.450	MD5
2027	330,000	5.000	2.610	LU8	2037	480,000	3.375	3.521	ME3
2028	345,000	5.000	2.670	LV6	2038	500,000	3.500	3.570	MF0

(Interest to accrue from the Dated Date)

$21,215,000
CITY OF AUSTIN, TEXAS
Public Property Finance Contractual Obligations, Series 2018
Base CUSIP No. 052397 (1)

Maturity **(May 1)**	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity **(November 1)**	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2019	$1,145,000	5.000%	1.720%	MG8	2019	$1,350,000	5.000%	1.780%	MH6
2020	1,350,000	5.000	1.840	MJ2	2020	1,415,000	5.000	1.890	MK9
2021	1,415,000	5.000	1.950	ML7	2021	1,475,000	5.000	2.000	MM5
2022	1,485,000	5.000	2.040	MN3	2022	1,555,000	5.000	2.090	MP8
2023	1,560,000	5.000	2.150	MQ6	2023	1,625,000	5.000	2.240	MR4
2024	1,630,000	5.000	2.310	MS2	2024	1,720,000	4.000	2.340	MT0
2025	1,720,000	5.000	2.420	MU7	2025	1,770,000	4.000	2.440	MV5

(Interest to accrue from the Dated Date)

Concurrent Issues . . . The Obligations are being offered concurrently by the City under a common Official Statement. The Bonds, the Certificates, and the Contractual Obligations are separate and distinct securities offerings issued and sold independently except for this Official Statement, and while they share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the rights of the City to redeem the respective Obligations, the federal, state and local tax consequences of the purchase, ownership or disposition of the respective Obligations and other features.

Concurrent Issue of Taxable Bonds…The City sold its Public Improvement Bonds, Taxable Series 2018 in the aggregate principal amount of $6,980,000 (the "Taxable Bonds") concurrently with the sale of the Obligations pursuant to a separate official statement. The Taxable Bonds are expected to be delivered on October 3, 2018.

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(1) 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.

(2) Yield to first optional call date.

The Obligations are offered by the City under a common Official Statement. The Bonds, the Certificates, and the Contractual Obligations are separate and distinct securities offerings being issued and sold independently, except for the common Official Statement. While the Obligations share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the respective Obligations and other features.

No dealer, broker, salesman or other person has been authorized by the City or by the purchasers in the initial offering of all or any of the Obligations (collectively the "Purchasers") to give any information or to make any representations, other than as contained in this document, and if given or made such other information or representations must not be relied upon as having been authorized by the City or the Purchasers. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Obligations, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is submitted in connection with the sale of securities referred to in this document and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

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

The information set forth in this document has been furnished by the City and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Purchasers. The information and expressions of the opinions in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under the Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described since the date of this Official Statement. CUSIP numbers have been assigned to each series of Obligations for the convenience of the owners of the Obligations.

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

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.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS 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 UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE OBLIGATIONS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

CITY OF AUSTIN

Elected Officials

		Term Expires Jan. 5
Steve Adler	Mayor	2019
Ora Houston	Councilmember District 1	2019
Delia Garza	Councilmember District 2	2021
Sabino “Pio” Renteria	Councilmember District 3	2019
Gregorio “Greg” Casar	Councilmember District 4	2021
Ann Kitchen	Councilmember District 5	2019
Jimmy Flanagan	Councilmember District 6	2021
Leslie Pool	Councilmember District 7	2021
Ellen Troxclair	Councilmember District 8	2019
Kathryne B. Tovo, Mayor Pro Tem	Councilmember District 9	2019
Alison Alter	Councilmember District 10	2021

Appointed Officials

Spencer Cronk	City Manager
Elaine Hart, CPA	Deputy City Manager and Chief Financial Officer [1]
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	City Attorney

(1) Effective October 1 (the beginning of the City’s fiscal year 2019 budget), Elaine Hart will serve as Deputy City Manager.

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:

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Interim Treasurer
City of Austin
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belinda.weaver@austintexas.gov

Dennis P. Waley
Managing Director
PFM Financial Advisors LLC
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Austin, TX 78701
(512) 614–5323
waleyd@pfm.com

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer .... The City of Austin, Texas (the "City"), is a political subdivision located in Travis, Williamson and Hays Counties, operating as a home–rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended. The City operates under the Council/Manager form of government where the mayor (elected at-large) and ten councilmembers (elected from ten single member districts) are elected for staggered four year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.

For further information about the City, see APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY" in this document.

The Bonds............................ The Bonds are issued in the principal amount of $65,595,000pursuant to the general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, Chapter 1371, Texas Government Code ("Chapter 1371"), elections held within the City (see "DEBT INFORMATION – Authorized General Obligation Bonds" in this document), an ordinance passed by the City Council of the City and a pricing certificate executed by a Pricing Officer evidencing the final terms of sale of the Bonds (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).

The Certificates .... The Certificates are issued in the principal amount of $7,140,000 pursuant to the general laws of the State of Texas, particularly Subchapter C, Chapter 271, Texas Local Government Code, Chapter 1371, an ordinance passed by the City Council of the City and a pricing certificate executed by a Pricing Officer evidencing the final terms of sale of the Certificates (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).

The Contractual Obligations.................. The Contractual Obligations are issued in the principal amount of $21,215,000 pursuant to the general laws of the State of Texas, particularly Subchapter A, Chapter 271, Texas Local Government Code (the "Public Property Finance Act"), Chapter 1371, an ordinance passed by the City Council of the City and a pricing certificate executed by a Pricing Officer evidencing the final terms of sale of the Contractual Obligations (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).

Paying Agent/Registrar… The initial Paying Agent/Registrar for each series of the Obligations is U.S. Bank, National Association, Dallas, Texas.

Security.................................. Each series of the Obligations constitutes a direct obligation of the City, payable from a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to provide for payment of principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenues (not to exceed $1,000) of the City's solid waste disposal system (see "OBLIGATION INFORMATION - Security" in this document).

Redemption of Obligations .... The City reserves the right, at its option, to redeem the Bonds and the Certificates having stated maturities on and after September 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2028, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "OBLIGATION INFORMATION – Optional Redemption of the Bonds and the Certificates" in this document). **The Contractual Obligations are not subject to redemption prior to their stated maturities.** (see "OBLIGATION INFORMATION – No Redemption of the Contractual Obligations" in this document).

Tax Matters.......................... In the opinion of Bond Counsel, the interest on each series of the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" in this document.

Concurrent Issuance of Taxable Bonds.......... Pursuant to a separate Official Statement, the City sold its Public Improvement Bonds, Taxable Series 2018 in the aggregate principal amount of $6,980,000 (the "Taxable Bonds") concurrently with the sale of the Obligations.

Payment Record................. The City has not defaulted since 1900 when all bonds were refunded at par with a voluntary reduction in interest rates.

Selected Financial Information

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation (1)	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.97	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,649	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	100.01%
2015	899,119	98,652,179,430	109,721	1,409,384	1,567.52	1.43%	99.88%
2016	925,491	110,526,026,399	119,424	1,490,221	1,610.20	1.35%	100.18%
2017	937,065	125,371,654,656	133,792	1,526,997	1,629.55	1.22%	99.84%
2018	955,094	139,425,088,186	145,980	1,243,803(5)	1,302.28 (5)	0.89% (5)	99.50% (3)
2019	972,499	152,666,281,011 (4)	156,983	1,241,787(5)	1,276.90 (5)	0.81% (5)	N/A

(1) Source: 2017 City of Austin Comprehensive Annual Financial Report ("CAFR") – Table 18, through fiscal year ending 2017; City of Austin Department of Planning and Development based on full purpose area as of November 2017, for fiscal years ending 2018 and 2019.
(2) Excludes general obligation debt issued for enterprise funds and general fund departments, the debt service on which is currently paid from the revenue of the respective enterprises and each department's operating budget, respectively. The City plans to continue to pay these obligations based on this practice; however, there is no guarantee that this practice will continue in future years. See "DEBT INFORMATION" and "TAX INFORMATION – Statements of Debt" and "Valuation and Funded Debt History – TABLE TWO" in this document.
(3) Estimated Collections as of June 30, 2018 based on the July 2017 Certified Tax Roll tax levy.
(4) Certified taxable value for the 2018 tax year provided by the Travis Central Appraisal District, Williamson Central Appraisal District, and Hays Central Appraisal District on July 15, 2018, July 17, 2018, and July 25, 2018, respectively.
(5) Includes the Obligations and Taxable Bonds (aggregate issuance of $100,930,000 par amount). See "DEBT INFORMATION – Concurrent Issuance of Taxable Bonds" in this document.

OFFICIAL STATEMENT

Relating to

$65,595,000
CITY OF AUSTIN, TEXAS
Public Improvement Bonds, Series 2018

$7,140,000
CITY OF AUSTIN, TEXAS
Certificates of Obligation, Series 2018

$21,215,000
CITY OF AUSTIN, TEXAS
Public Property Finance Contractual Obligations, Series 2018

INTRODUCTION

This Official Statement, which includes the cover page, the summary statement and the appendices, provides certain information regarding the issuance by the City of Austin, Texas (the "City") of its $65,595,000 Public Improvement Bonds, Series 2018 (the "Bonds"), its $7,140,000 Certificates of Obligation, Series 2018 (the "Certificates"), and its $21,215,000 Public Property Finance Contractual Obligations, Series 2018 (the "Contractual Obligations"). The Bonds, the Certificates, and the Contractual Obligations are collectively referred to herein as the "Obligations". The Bonds, the Certificates, and the Contractual Obligations will be offered separately by the City, and delivery of each issue is not contingent upon the delivery of the other issues. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Bond Ordinance"), the ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance"), and the ordinance authorizing the issuance of the Contractual Obligations (the "Contractual Obligation Ordinance"), except as otherwise indicated. The Bond Ordinance, the Certificate Ordinance, and the Contractual Obligation Ordinance are collectively referred to herein as the "Ordinances". In each Ordinance, the City Council delegated to a "Pricing Officer" the authority to effect the sale of each series of the Obligations, subject to the terms of each Ordinance.

In addition to the sale of the Obligations, the City sold its Public Improvement Bonds, Taxable Series 2018 in the aggregate principal amount of $6,980,000 (the "Taxable Bonds") concurrently with the sale of the Obligations, pursuant to a separate official statement. See "DEBT INFORMATION – Concurrent Issuance of Taxable Bonds" in this 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, references to websites and the information or links contained therein are not incorporated into, and are not part of, this document.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained in this Official Statement are only summaries and are qualified in their entirety by reference to each such document.

OBLIGATION INFORMATION

Authority and Purpose for Issuance

The capital improvements to be financed with the proceeds of the Bonds were authorized at elections held on various dates, and passed by a majority of the participating voters in the City (the "Elections"); see "DEBT INFORMATION-Authorized General Obligation Bonds" in this document. The City is authorized to issue the Bonds pursuant to Chapter 1331, Texas Government Code, Chapter 1371, Texas Government Code ("Chapter 1371"), the Elections, the Bond Ordinance, and a pricing certificate executed by a Pricing Officer evidencing the final terms of sale of the Bonds. Proceeds from the sale of the Bonds will be used to finance various capital improvements and to pay costs of issuing the Bonds.

The Certificates are being issued pursuant to the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act"), Chapter 1371, the Certificate Ordinance, and a pricing certificate executed by a Pricing Officer evidencing the final terms of sale of the Certificates. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuing the Certificates.

The Contractual Obligations are being issued pursuant to the general laws of the State of Texas, particularly Subchapter A of Chapter 271, Texas Local Government Code (the "Public Property Finance Act"), Chapter 1371, the Contractual Obligation Ordinance, and a pricing certificate executed by a Pricing Officer evidencing the final terms of sale of the Contractual Obligations. Proceeds from the sale of the Contractual Obligations will be used to purchase certain equipment and other personal property for use by various City departments and to pay costs of issuing the Contractual Obligations.

As permitted by Chapter 1371, the City has, in each ordinance, delegated to certain authorized officials of the City (each a "Pricing Officer") the authority to establish final terms of sale of the Obligations of each series, to be contained in separate pricing certificates (together, the "Pricing Certificates") delivered at the time the official bid form for each of the respective Obligations is executed and delivered.

Sources and Uses of Funds

The proceeds of the Obligations will be applied substantially as follows:

	The Bonds	The Certificates	The Contractual Obligations	Total
Sources of Funds:				
Principal Amount	$65,595,000.00	$7,140,000.00	$21,215,000.00	$93,950,000.00
Net Original Issue Premium	3,924,895.80	453,351.80	2,031,840.95	6,410,088.55
Total	$69,519,895.80	$7,593,351.80	$23,246,840.95	$100,360,088.55
Uses of Funds:				
Deposit to Project Fund	$69,055,000.00	$7,500,000.00	$23,115,000.00	$99,670,000.00
Costs of Issuance	314,497.55	37,077.01	106,676.44	458,251.00
Purchaser's Discount	150,398.25	56,274.79	25,164.51	231,837.55
Total	$69,519,895.80	$7,593,351.80	$23,246,840.95	$100,360,088.55

General

Each series of Obligations is expected to be dated as of October 3, 2018 (the "Dated Date") and shall bear interest on the unpaid principal amounts from such date, at the per annum rates shown on the inside cover page of this document for each series of Obligations. Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds and the Certificates will be payable on March 1, 2019, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest on the Contractual Obligations will be payable on May 1, 2019, and on each November 1 and May 1 thereafter until maturity. Principal is payable, upon presentation, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "OBLIGATION INFORMATION – Paying Agent/Registrar" in this document). Interest is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below) and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The Obligations are issued only as fully registered obligations in denominations of $5,000 or any integral multiple thereof within a maturity and a series.

Notwithstanding the foregoing, so long as records of ownership of the Obligations are maintained through the book-entry-only system described under "OBLIGATION INFORMATION – Book-Entry-Only System" in this document, all payments of principal of, redemption premium, if any, and interest on the Obligations will be made in accordance with the procedures described in "OBLIGATION INFORMATION – Book-Entry-Only System" in this document.

The record date for the interest payable on any interest payment date is the 15th day of the month next preceding each interest payment date, as specified in the Ordinances (the "Record Date"). In the event of a nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for interest payment (the "Special Record

Date") will be established by the Paying Agent/Registrar, in accordance with the provisions of the Ordinances, if and when funds for the payment of 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 at least 15 days after the Special Record Date, shall be sent at least 5 business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of Obligations appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of the notice.

Security

The Obligations constitute direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to pay the principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenue (not to exceed $1,000) of the City's solid waste disposal system.

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, referred to as the "Charter", which also limits the City's ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. See "TAX INFORMATION – Tax Rate Limitation" in this document.

Remedies

Each Ordinance establishes specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the registered owners, including but not limited to, their prospect or ability to be repaid in accordance with each Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City, each Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or each Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinances do not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the City to perform in accordance with the terms of each Ordinance, 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.

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W. 3rd 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 Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. 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) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. 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 the authority or for the benefit of the state. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of 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.

Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity pursuant to Chapter 1371.

As noted above, each Ordinance provides that registered owners may exercise the remedy of mandamus to enforce the obligations of the City under each Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. 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 revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. 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 registered owners 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 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

Defeasance of Obligations

Each of the Ordinances provides for the defeasance of each of the Obligations when the payment of the principal of the Obligations of a series, plus interest to the due date (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations; and thereafter the City will have no further responsibility with respect to amounts available to the paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Obligations, including any insufficiency caused by the failure of the paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. Each of the Ordinances provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of approval of the proceedings authorizing the issuance of the refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Book-Entry-Only System

The City has elected to utilize the book-entry-only system of The Depository Trust Company, New York, New York ("DTC"), as described under this heading. The City is obligated to timely pay the Paying Agent/Registrar the amount due under the Ordinances. See "OBLIGATION INFORMATION - Paying Agent/Registrar" in this document. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Obligations are described in this document.

The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes this information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Obligations, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the beneficial owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this document. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered Obligations 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 certificate will be issued for each maturity of the Obligations, 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 as "Participants". DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations 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 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 Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 Obligations 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, Obligation certificates are required to be printed and delivered.

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, certificates for each series of the Obligations will be printed and delivered to DTC.

Paying Agent/Registrar

The initial Paying Agent/Registrar for each series of the Obligations is U.S. Bank, National Association. Interest on, and principal of, the Obligations will be payable, and transfer functions will be performed at, the corporate trust office designated to the City by the Paying Agent/Registrar (the "Designated Payment/Transfer Office"). In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Obligations are outstanding. Any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for any series of the Obligations, the City agrees to promptly cause a written notice to be sent to each registered owner of such series by United States mail, first class postage prepaid. This notice shall also give the address of the new Paying Agent/Registrar. The initial Designated Payment/Transfer Office of the Paying Agent/Registrar is its Dallas, Texas office.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. An Obligation may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount and series as the Obligations surrendered for exchange or transfer. See "OBLIGATION INFORMATION - Book-Entry-Only System" in this document for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

Limitation on Transfer of Bonds or Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond or Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled principal of a Bond or Certificate.

Optional Redemption of the Bonds and the Certificates

The City reserves the right, at its option, to redeem the Bonds and the Certificates having stated maturities on and after September 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2028, or any date thereafter, at the price of par, without premium, plus accrued interest to the date fixed for redemption. If less than all of the Bonds or less than all of the Certificates are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity and series is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds and the Certificates are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds or the Certificates, or portions thereof, within such maturity and series to be redeemed.

No Redemption of the Contractual Obligations

The Contractual Obligations are **not** subject to redemption prior to their scheduled maturities.

Notice of Redemption

At least 30 days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond or Certificate to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms, conditions and provisions relating thereto contained in the respective Ordinances governing their issuance. Such notice shall state that the redemption is conditioned upon receipt of sufficient funds for the payment of the redemption price for the applicable Bonds or Certificates which are to be redeemed. If a Bond or a Certificate (or a portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond or Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond or Certificate shall cease to accrue from and after the redemption date of the Bond or Certificate, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

Redemption of the Bonds or the Certificates may be made conditional upon the occurrence of certain events. If a notice of redemption is given and sufficient funds are not received for the payment of the required redemption price for the Bonds or Certificates which are to be redeemed, the notice shall be of no force and effect, the City shall not redeem the Bonds or Certificates, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds or Certificates shall not be redeemed.

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TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, Williamson Central Appraisal District and Hays Central Appraisal District (collectively, the "Appraisal Districts"). Excluding agricultural and open–space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under Title 1, Texas Tax Code (commonly known as the "Property Tax Code") to appraise all property within the Appraisal Districts on the basis of 100% of the property's market value and are prohibited from applying any assessment ratios. State law further limits the appraised value of a residence homestead for a tax year (the "Homestead 10% Increase Cap") to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by an Appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. The value placed upon property within the Appraisal Districts is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of each Appraisal District. The Appraisal Districts are required to review the value of property within the Appraisal Districts at least every three (3) years.

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

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

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

(1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;
(2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

The surviving spouse of an individual who qualifies for the exemption described under (2) above for the residence homestead of a person 65 years of age or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Once authorized, the exemption described under (1) above may be repealed, or decreased or increased in amount, (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

Section 1-b, Article VIII, and State law also authorize a county, city, town or junior college district to establish an ad valorem tax freeze on residence homesteads of persons who are disabled or 65 years of age or older. If the City Council does not take action to establish the tax freeze, voters within the City may submit a petition signed by five percent (5%) of the registered voters of the City requiring the City Council to call an election to determine by majority vote whether to establish the tax limitation.

If this tax freeze is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the residence homestead exemption for persons who are disabled or 65 years of age or older may not be increased, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is 55 years of age or older at the time of the person's death. In addition, the tax limitation applicable to a person's homestead may be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

State law and Article VIII, section 2 of the Texas Constitution, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. Notwithstanding the foregoing, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Effective January 1, 2018, a disabled veteran who has a disability rating of less than 100% is entitled to an exemption equal to the percentage of the veteran's disability rating for a residence homestead that was donated by a charitable organization to such veteran (i) at no cost to such veteran or (ii) at some cost to such veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made.

Following approval by the voters at a November 5, 2013 statewide election, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

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

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

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

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

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

The City grants various exemptions to the appraised value of the residence homesteads within the City, as described in footnote 2 to "TABLE ONE – Tax Valuation" in this document.

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

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

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which also limits the City's ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes.

Administratively, pursuant to Title 1, Section 53.5 of the Texas Administrative Code, the Texas Attorney General prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of such $2.50 maximum tax rate, as calculated at the time of issuance at a 90% collection rate. The issuance of the Obligations will not exceed the above-described limits or violate the Texas Attorney General's administrative rule.

Tax Procedures

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

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

Section 140.010, Texas Local Government Code, provides that a municipality shall give notice of proposed property tax rates by publishing notice in a newspaper of general circulation, mailing notice to each property owner in the municipality by not later than September 1 or the 30th day after the first date that the municipality has received the certified appraisal roll from each applicable tax assessor-collector. In addition, the municipality shall post the notice on the internet website of the municipality not later than the later of September 1 or the 30th day after the first date that the municipality has received the certified appraisal roll from each applicable tax-assessor collector and continuing until the municipality adopts a tax rate.

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

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

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

Tax Valuation – TABLE ONE

January 1, 2018 Certified Appraised Value (1)		$189,300,110,578
Less Local Exemptions to Assessed Values: (2)		
Residential Homestead	$5,615,597,065	
Residential Homestead over 65	3,204,300,939	
Homestead 10% Increase Cap	3,681,094,096	
Disabled Veterans	354,516,991	
Agricultural and Historical Exemptions	863,272,534	
Disability Exemption	195,633,634	
Other Exemptions	21,291,447,585	
Freeport Exemption	1,427,966,722	$ 36,633,829,567
January 1, 2018 Net Taxable Assessed Valuation (1)		$152,666,281,011

(1) Appraised value is subject to change pending additional exemption and appeals.

(2) Exemptions or adjustments to assessed valuation granted in 2018 include exemption of (a) 10% of the assessed valuation of a residence homestead; (b) exemptions of $85,500 for homestead property of property owners who are over 65 years of age or disabled; (c) exemptions for residence homestead property exceeding a 10 percent increase in valuation from the previous year; (d) exemptions for property of disabled veterans or certain surviving dependents of disabled veterans; (e) certain adjustments to productive agricultural lands; (f) exemptions to the land designated as historically significant sites by certain public bodies; and (g) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.

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Statement of Debt (Anticipated as of September 30, 2018)

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

Public Improvement Bonds (1)	$ 1,052,240,000	
Certificates of Obligation (1)	265,650,000	
Contractual Obligations	69,430,000	
Mueller Contract Revenue Obligations	44,995,000	
The Obligations (2)	93,950,000	
The Taxable Bonds (2)	6,980,000	
Assumed MUD Bonds (3)	6,905,063	
Total		$ 1,540,150,063
Less Self-Supporting Debt:		
Assumed MUDs (3)	$ 6,905,063	
Mueller Contract Revenue Obligations	44,995,000	
Airport (4)	32,780	
Austin Energy (4)	163,175	
Austin Water (2) (4)	6,399,282	
City Hall (4)	6,886,432	
Code Compliance (4)	231,259	
Convention Center (4)	12,885,678	
Financial Services (2) (4)	20,331,420	
Fleet Management (2) (4)	2,484,653	
Golf (4)	185,221	
Solid Waste (4)	27,163,624	
Transportation (2) (4)	15,861,997	
Waller Creek (2) (4)	90,138,698	
Watershed Protection (2) (4)	33,385,841	
Total Self-Supporting		$ 268,050,123
Less Interest and Sinking Fund Balance (5)		28,252,007
Less Self-Supporting General Fund Payments (6)		44,914
Net Debt		$1,243,803,019
Ratio Total Debt to 2018 Net Taxable Assessed Valuation		1.10 %
Ratio Net Debt to 2018 Net Taxable Assessed Valuation		0.89%

2018 Population (Estimate) – 955,094 (7)
Per Capita Net Taxable Assessed Valuation – $145,980.49
Per Capita Net Debt Outstanding – $1,302.28

(1) Excludes the Obligations and Taxable Bonds.
(2) The Obligations and the Taxable Bonds were sold concurrently pursuant to separate official statements, and are expected to be delivered concurrently on October 3, 2018. See also "DEBT INFORMATION - Concurrent Issuance of Taxable Bonds" in this document.

[footnotes continued on following page]

(3) Represents bonds of the Northwest Austin MUD#1 and River Place MUD annexed by the City.

(4) Airport, Austin Energy, Austin Resource Recovery, Austin Water, Building Services, City Hall, Code Compliance, Convention Center, Financial Services, Fleet Management, Golf, One Texas Center, Transportation, Waller Creek, and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for these departments or offices is currently paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise; however, there is no guarantee that this practice will continue in future years. Fleet Management and One Texas Center are internal service funds that generate revenue through charges to user departments.

(5) Represents estimate of cash plus investments at cost on September 30, 2018.

(6) Various general fund departments have issued debt that is supported by a transfer into the debt service fund from the issuing department. Each department currently budgets the required debt service which reduces the debt service tax requirement.

(7) Source: City of Austin Department of Planning and Development based on full purpose area as of November 2017.

Valuation and Funded Debt History – TABLE TWO

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation (1)	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.97	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,649	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	100.01%
2015	899,119	98,652,179,430	109,721	1,409,384	1,567.52	1.43%	99.88%
2016	925,491	110,526,026,399	119,424	1,490,221	1,610.20	1.35%	100.18%
2017	937,065	125,371,654,656	133,792	1,526,997	1,629.55	1.22%	99.84%
2018	955,094	139,425,088,186	145,980	1,243,803 (5)	1,302.28 (5)	0.89% (5)	99.50% (3)
2019	972,499	152,666,281,011 (4)	156,983	1,241,787 (5)	1,276.90(5)	0.81% (5)	N/A

(1) Source: 2017 City of Austin Comprehensive Annual Financial Report ("CAFR") – Table 18, through fiscal year ending 2017; City of Austin Department of Planning and Development based on full purpose area as of November 2017, for fiscal years ending 2018 and 2019.

(2) Excludes general obligation debt issued for enterprise funds and general fund departments, the debt service on which currently is paid from revenue of the respective enterprises and each department's operating budget, respectively. The City plans to continue to pay these obligations based on this practice; however, there is no guarantee that this practice will continue in future years. See "DEBT INFORMATION" in this document.

(3) Estimated Collections as of June 30, 2018 based on the July 2017 Certified Tax Roll tax levy.

(4) Certified taxable value for the 2018 tax year (fiscal year 2019) provided by the Travis Central Appraisal District, Williamson Central Appraisal District, and Hays Central Appraisal District on July 15, 2018 July 17, 2018, and July 25, 2018, respectively.

(5) Includes the Obligations and the Taxable Bonds (aggregate issuance of $100,930,000 par amount) See "DEBT INFORMATION – Concurrent Issuance of Taxable Bonds" in this Official Statement.

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Tax Rate, Levy and Collection History – TABLE THREE

Fiscal Year Ended 9-30	Total Tax Rate	Distribution General Fund	Distribution Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2010	0.4209	0.2950	0.1259	340,762,917	98.97%	99.22%
2011	0.4571	0.3262	0.1309	354,798,046	99.13%	99.42%
2012	0.4811	0.3551	0.1260	381,126,366	99.27%	99.27%
2013	0.5029	0.3821	0.1208	418,888,224	99.36%	99.36%
2014	0.5027	0.3856	0.1171	446,227,175	99.27%	100.01%
2015	0.4809	0.3691	0.1118	474,418,331	99.30%	99.88%
2016	0.4589	0.3527	0.1062	507,203,935	99.58%	100.18%
2017	0.4418	0.3399	0.1019	553,891,970	99.56%	99.84%
2018	0.4448	0.3393	0.1055	617,275,588	99.24% (1)	99.50% (1)
2019	0.4403	0.3308	0.1095	672,189,635	N/A	N/A

(1) Estimated collections as of June 30, 2018 based on the July 2017 Certified Tax Roll tax levy.

Ten Largest Taxpayers – TABLE FOUR

Name of Taxpayer	Nature of Property	January 1, 2018 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Samsung Semiconductor	Manufacturing	$1,667,753,870	1.09%
Finley Company	Commercial	518,500,014	0.34%
Apple Inc.	Commercial	418,759,426	0.27%
St. David's Healthcare	Hospital/Medical	390,646,314	0.26%
CSHV-401 Congress LLC	Commercial	359,707,203	0.24%
Domain Retail Property Owner LP	Commercial	343,763,509	0.23%
BPP Alphabet MF Riata LP	Commercial	325,076,136	0.21%
HEB Grocery Company LP	Retail	310,937,405	0.20%
GW Block 23 Office LLC	Commercial	307,578,287	0.20%
Broadmoor Austin Associates	Commercial	305,000,000	0.20%
TOTAL		$4,947,722,164	3.24%

Source: Travis Central Appraisal District and Williamson Central Appraisal District.

Property Tax Rate Distribution – TABLE FIVE

Fiscal Year Ended September 30	2015	2016	2017	2018	2019
General Fund	$0.3691	$0.3527	$0.3399	$0.3393	$0.3308
Interest and Sinking Fund	0.1118	0.1062	0.1019	0.1055	0.1095
Total Tax Rate	$0.4809	$0.4589	$0.4418	$0.4448	$0.4403

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Net Taxable Assessed Valuations, Tax Levies and Collections – TABLE SIX

Fiscal Year Ended 9-30	Valuation Date	Real Property Amount	Real Property % of Total	Personal Property Amount	Personal Property % of Total	Net Taxable Assessed Valuation	Total Tax Levy	% Current Collections	% Total Collections
2010	1-1-09	72,733,550,671	89.84%	8,226,990,305	10.16%	80,960,540,976	340,762,917	98.97%	99.22%
2011	1-1-10	70,501,655,045	90.83%	7,117,694,339	9.17%	77,619,349,384	354,798,046	99.13%	99.42%
2012	1-1-11	70,283,821,626	88.72%	8,935,959,253	11.28%	79,219,780,879	381,126,366	99.27%	99.27%
2013	1-1-12	73,663,555,699	88.44%	9,630,980,794	11.56%	83,294,536,493	418,888,224	99.36%	99.36%
2014	1-1-13	79,399,650,702	89.45%	9,366,447,458	10.55%	88,766,098,160	446,227,175	99.27%	100.01%
2015	1-1-14	88,868,446,944	90.08%	9,783,732,486	9.92%	98,652,179,430	474,418,331	99.30%	99.88%
2016	1-1-15	100,293,482,266	90.74%	10,232,544,133	9.26%	110,526,026,399	507,203,935	99.58%	100.18%
2017	1-1-16	115,889,987,304	91.87%	10,256,595,746	8.13%	126,146,583,050	553,891,970	99.56%	99.84%
2018	1-1-17	128,972,794,157	92.50%	10,452,294,029	7.50%	139,425,088,186	617,275,588	99.24% (1)	99.50 % (1)
2019	1-1-18	142,227,189,693	93.16%	10,439,091,318	6.84%	152,666,281,011	672,189,635	N/A	N/A

(1) Estimated collections through June 30, 2018 based on the July 2017 Certified Tax Roll tax levy.

Revenue Debt (As of August 31, 2018)

In addition to the above, on a pro forma basis, the City had outstanding $5,685,218 Combined Utility Systems Revenue Bonds payable from a first lien on the combined net revenue of the Electric System and the Water and Wastewater System and $100,538,544 Combined Utility System Revenue Bonds payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; $1,097,125,000 Electric Utility Obligations payable from a separate lien on the net revenues of the Electric Utility System; $2,198,510,000 Water and Wastewater Obligations payable from a separate lien on the net revenue of the Water and Wastewater System, and $243,207,000 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System.

The City additionally has outstanding $789,189,000 Airport System Revenue Bonds payable from net revenues of the City's Airport System, $142,510,000 Rental Car Special Facility Revenue Bonds payable from revenues derived from rental car facilities currently operating at the airport, $98,345,000 Hotel Occupancy Tax Subordinate Lien Revenue Bonds payable from the City's 2% and 4.5% Hotel Occupancy Tax, $9,640,000 Hotel Occupancy Tax Revenue Bonds payable from the City's 4.5% Hotel Occupancy Tax, and $27,070,000 Town Lake Park Community Events Center Venue Bonds payable from revenues received from the Special Motor Vehicle Rental Tax and Venue generated revenue.

Public Improvement District Debt (As of August 31, 2018)

The City previously authorized and issued special assessment revenue debt for public improvement districts located within the City's boundaries: Estancia Hill Country Public Improvement District ($10,615,000 Special Assessment Revenue Bonds outstanding), Indian Hills Public Improvement District ($2,650,000 Special Assessment Revenue Bonds outstanding), and Whisper Valley Public Improvement District ($14,365,000 Special Assessment Revenue Bonds outstanding). The City is considering the issuance of additional special assessment revenue debt in fiscal year 2019 for the purposes of additional development within the existing public improvement districts described above. Any additional special assessment revenue debt would be secured by and payable from only the special assessments levied on properties within the respective public improvement district boundaries and would not represent an obligation of revenue or taxes.

Obligations Subject to Annual Appropriation (As of August 31, 2018)

With respect to the redevelopment of the property formerly known as Robert Mueller Municipal Airport ("Mueller"), the City entered into a Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004 (the "Development Agreement"), and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation created by the City. The City has entered into an economic development grant agreement (the "Grant Agreement") with Mueller Local Government Corporation ("MLGC"), a non-profit local government corporation created by the City to act on its behalf with respect to the redevelopment of Mueller. MLGC was created in response to the provisions of the Development Agreement. Under the terms of the Grant Agreement, the City will make grant payments to MLGC from the General

Fund, subject to annual appropriation by the City, in amounts sufficient to pay debt service on bonds issued by MLGC to fund Public Finance Reimbursable Project Costs and pay administrative costs associated with such bonds. It is anticipated that sales tax revenues generated by properties developed at Mueller will be sufficient to fund the grants throughout the term of the Grant Agreement. $12,000,000 in Contract Revenue Bonds were issued in 2006 by MLGC to finance Public Finance Reimbursable Project Costs, and as of the date of this Official Statement, $7,180,000 in principal amount of these Contract Revenue Bonds is outstanding.

The City has also created a tax increment reinvestment zone for the Mueller project to include Reinvestment Zone Number Sixteen (the "Zone") and neighboring areas for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development in the Zone which consists of approximately 700 acres. Currently, only the City participates in the Zone by contributing its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone. The tax increment revenues of the City will be contributed by the City to the MLGC pursuant to the terms of a Tri-Party Agreement among the City, the MLGC and the Zone (the "Tri-Party Agreement"). In addition, the City has agreed to consider making payments to the MLGC under a grant agreement between the City and the MLGC, pursuant to which the City may make available to the MLGC grant funds in amounts sufficient to pay debt service on the Tax Increment Contract Revenue Bonds, should Pledged Revenues be insufficient to allow the MLGC to meet its debt service payment obligations. The grant payments are to be funded from available moneys in the City's general fund, subject to annual appropriation. The City is under no obligation to make grant payments. The MLGC has issued three series of Tax Increment Contract Revenue Bonds, aggregating $47,580,000 in principal amount, backed by tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone, and as of the date of this Official Statement, $40,115,000 in principal amount of these Tax Increment Contact Revenue Bonds is outstanding.

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DEBT INFORMATION (a)

Debt Service Requirements

Fiscal Year Ending 09/30	Public Improvement Bonds	Certificates of Obligation	Contractual Obligations	Assumed MUDs (c)	Mueller Contract Rev Bonds	The Obligations and the Taxable Bonds	Grand Total Requirements	Less Self-Supporting Requirements (b)	Net Total Requirements	Percent Principal Payout
2019	115,150,233	22,149,276	25,213,056	1,380,158	4,337,715	42,456,700	210,687,138	38,336,743	172,350,394	
2020	115,240,143	22,124,659	20,271,325	1,033,498	4,453,040	8,126,494	171,249,158	35,011,248	136,237,910	
2021	116,564,953	22,190,105	13,539,444	1,046,118	4,577,790	7,757,369	165,675,779	31,104,552	134,571,226	
2022	112,586,545	22,259,744	8,331,450	1,036,678	4,700,709	7,738,369	156,653,494	27,193,847	129,459,648	30.57%
2023	108,541,208	22,326,016	5,184,750	1,041,188	4,837,296	7,761,619	149,692,077	23,925,073	125,767,005	
2024	105,670,831	22,377,863	2,386,875	1,038,575	4,973,965	7,740,119	144,188,228	23,671,696	120,516,532	
2025	100,911,390	22,430,531	404,875	1,044,475	5,109,565	7,683,094	137,583,930	21,644,641	115,939,289	
2026	97,791,566	22,493,133		943,463	5,255,965	5,854,044	132,338,170	20,659,844	111,678,327	
2027	91,669,841	22,524,832			4,415,465	3,163,394	121,773,532	16,877,610	104,895,923	63.06%
2028	84,729,099	22,574,471			4,572,934	2,954,894	114,831,397	16,987,699	97,843,698	
2029	76,987,926	22,635,492			4,735,059	2,821,144	107,179,621	17,170,159	90,009,461	
2030	69,149,799	22,370,205			2,155,401	2,689,494	96,364,899	14,321,088	82,043,810	
2031	59,216,379	20,640,142			2,151,864	2,352,006	84,360,391	13,657,953	70,702,438	
2032	52,640,516	19,369,734			2,155,369	2,249,131	76,414,749	12,980,108	63,434,641	88.53%
2033	44,457,781	18,126,888				2,162,556	64,747,225	10,274,546	54,472,679	
2034	32,471,127	18,138,670				2,166,806	52,776,603	10,285,918	42,490,685	
2035	16,368,008	14,439,242				2,095,088	32,902,337	7,351,587	25,550,750	
2036	6,242,403	10,969,214				2,038,638	19,250,254	5,177,964	14,072,290	
2037	4,808,247	6,918,919				1,969,663	13,696,829	4,593,169	9,103,660	99.19%
2038		4,262,138				1,910,800	6,172,938	4,262,138	1,910,800	
2039		2,699,838					2,699,838	2,699,838		
2040		2,315,513					2,315,513	2,315,513		
2041		2,329,988					2,329,988	2,329,988		
2042										100.00%
	$1,411,197,995	$388,666,610	$75,331,775	$8,564,150	$58,432,136	$123,691,419	$2,065,884,086	$362,832,918	$1,703,051,168	

(a) As of September 30, 2018. Includes the Obligations and the Taxable Bonds.
(b) Includes principal and interest on all self-supporting debt (see "Statement of Debt" in this document).
(c) Includes NW Austin MUD #1 and River Place MUD.

Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes (in 000's)

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

Taxing Jurisdiction	Total Debt Funded (1)	Estimated % Applicable	Overlapping Funded Debt
City of Austin (2)	$1,241,733,019	100.00%	$1,243,803,019
Austin CCD	297,583,965	70.35%	209,350,319
Austin ISD	982,756,549	95.59%	939,416,985
Avery Ranch Road District # 1	7,755,000	99.39%	7,707,695
Del Valle ISD	197,289,999	72.76%	143,548,203
Eanes ISD	124,405,000	37.25%	46,340,863
Hays County	424,980,000	0.05%	212,490
Leander ISD	1,065,968,034	12.07%	128,662,342
Manor ISD	330,459,999	72.57%	239,814,821
Northtown MUD	20,470,000	28.44%	5,821,668
Northwoods Road District # 1	8,520,000	100.00%	8,520,000
Pearson Place Road District	5,315,000	100.00%	5,315,000
Pflugerville ISD	418,975,000	35.00%	146,641,250
Round Rock ISD	715,710,000	35.26%	252,359,346
Travis County	705,136,179	79.81%	562,769,184
Travis County ESD # 1	595,000	0.02%	119
Travis County ESD # 3	2,025,000	0.25%	5,063
Travis County ESD # 6	3,380,000	0.03%	1,014
Travis County ESD # 9	1,145,000	0.12%	1,374
Travis County Healthcare District dba Central Health	9,380,000	73.63%	6,906,494
Travis County MUD # 2	19,046,280	0.12%	22,856
Travis County MUD # 3	47,213,350	0.23%	108,591
Travis County MUD # 8	7,569,623	2.39%	180,914
Travis County WC&ID # 10	45,970,000	3.86%	1,774,442
Travis County WC&ID # 17 (Steiner Ranch)	68,519,998	0.01%	6,852
Wells Branch MUD	195,000	0.53%	1,034
Williamson County	895,874,942	11.35%	101,681,806
Total Direct and Overlapping Debt			$4,050,973,744
Ratio of Direct and Overlapping Debt to Fiscal Year 2018 Taxable Assessed Value (3)			2.91%
Per Capita Overlapping Funded Debt (4)			$4,241.44

(1) Source: Overlapping debt obtained from the Municipal Advisory Council of Texas on August 7, 2018; as of July 31, 2018.
(2) Outstanding debt of the City shown as of July 31, 2018. Includes the Obligations and the Taxable Bonds (aggregate issuance of $100,930,000 par amount). See also "DEBT INFORMATION - Concurrent Issuance of Taxable Bonds" in this document.
(3) Based on the City's tax year 2017 (fiscal year 2018) net taxable assessed valuation of $139,425,088,186.
(4) Based on the City's 2018 estimated population of 955,094.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimated the portion of the outstanding debt of those overlapping governments that is borne by the City's residents and businesses. This process recognized that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by its residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Authorized General Obligation Bonds – TABLE SEVEN

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Currently Being Issued (1)	Unissued Balance
Brackenridge 2000	10-22-83	$50,000,000	$40,785,000		$9,215,000
Park Improvements	09-08-84	9,975,000	9,648,000		327,000
Cultural Arts	01-19-85	20,285,000	14,890,000		5,395,000
Cultural Arts	11-07-06	31,500,000	27,500,000		4,000,000
Public Safety Facility	11-07-06	58,100,000	53,100,000		5,000,000
Mobility Transportation	11-06-12	143,299,000	113,520,000	$12,170,000	17,609,000
Park Improvements	11-06-12	77,680,000	59,190,000	3,790,000	14,700,000
Public Safety Facility	11-06-12	31,079,000	28,065,000		3,014,000
HHS Facility	11-06-12	11,148,000	9,550,000	1,595,000	3,000
Cultural Arts	11-06-12	13,442,000	9,840,000		3,602,000
Affordable Housing	11-05-13	65,000,000	55,000,000	7,000,000 (2)	3,000,000
Mobility Transportation	11-08-16	720,000,000	43,000,000	51,500,000	625,500,000
		$1,231,508,000	$464,088,000	$76,055,000	$691,365,000

(1) Includes premium applied against voted authorization.
(2) Includes the Taxable Bonds sold concurrently with the Obligations.

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

Concurrent Issuance of Taxable Bonds

Pursuant to a separate Official Statement, the City sold its Public Improvement Bonds, Taxable Series 2018, in the aggregate principal amount of $6,980,000 (the "Taxable Bonds") concurrently with the sale of the Obligations.

Funded Debt Limitation

There is no direct debt limit on bonded indebtedness in the City Charter. State law authorizes the City to incur total bond indebtedness through the issuance of bonds payable from taxes in an amount not to exceed 10% of the total assessed valuation of property in the City. Revenue bonds, tax and revenue anticipation notes, and other obligations and contracts are not included in the bonded debt total to which the statutory limitation of 10% applies. See "TAX INFORMATION - Tax Rate Limitation" and "TAX INFORMATION - Statement of Debt."

Short–Term Borrowing

Pursuant to Section 1431, Texas Government Code, the City has the authority to conduct short-term borrowings to provide for the payment of current expenses through the issuance of anticipation notes. Anticipation notes issued for this purpose must mature before the first anniversary of the date the Attorney General approves the anticipation notes.

2018 Bond Election

On August 9, 2018, the City Council approved submitting to the voters of the City a general obligation bond election seeking authority to issue $925,000,000 in bonds for a variety of public purposes. The election will be conducted on November 6, 2018.

FISCAL MANAGEMENT

The City engages in a formal, structured process for preparing both the annual operating budget of the City and a five-year capital improvements budget for the City. For additional information relating to the financial planning and budget policies and controls of the City, see APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY – Financial Information" in this document.

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 clause (1) 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 270 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.

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

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

The City is specifically prohibited from investing in:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

(1) understanding of the suitability of the investment to the financial requirements of the City;
(2) preservation and safety of principal;
(3) liquidity;
(4) marketability of each investment;
(5) diversification of the portfolio; and
(6) yield.

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

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

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

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

Additional Provisions

Under Texas law, the City is additionally required to:

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

Current Investments – TABLE EIGHT

As of June 30, 2018, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	19%
U. S. Agencies	45%
Money Market Funds	2%
Local Government Investment Pools	34%

The dollar weighted average maturity for the combined City investment portfolios is 282 days. The City prices the portfolios weekly utilizing a market pricing service.

GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE – TABLE NINE

(in 000's)

	2013	2014	2015	2016	2017
Revenues:					
Taxes (1)	$498,605	$537,138	$572,640	$607,361	$646,918
Franchise Fees	35,040	37,407	37,842	36,678	36,057
Fines, Forfeitures and Penalties	16,971	17,130	17,305	15,027	13,117
Licenses, Permits and Inspections	28,669	33,719	39,006	47,470	61,076
Charges for Services	49,579	57,974	58,297	59,062	59,362
Interest and Other	6,027	9,335	11,831	15,205	15,754
Total Revenues	$634,891	$692,703	$736,921	$780,803	$832,284
Expenditures:					
Administration	$ 13,926	$ 14,610	$ 19,246	$20,844	$22,386
Urban Growth Management	44,934	57,325	63,072*	66,817	70,491
Public Safety	473,980	493,668	543,709*	559,038	585,250
Public Health	48,232	54,196	61,247*	72,333	80,487
Public Recreation and Culture	81,893	89,492	98,242*	105,410	112,278
Transportation, Planning and Sustainability (2)	9	(6)	4	814	421
Nondepartmental Expenditures	87,126	97,951	93,349*	106,985	104,259
Total Expenditures	$750,100	$807,236	$878,869	$932,241	$976,022
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	($115,209)	($114,533)	($141,948)	($151,438)	($143,738)
Other Financing Sources (Uses):					
Transfers from Other Funds	145,764	162,622	153,936	157,201	166,688
Transfers to Other Funds	(13,626)	(27,515)	(30,304)	(26,246)	(12,125)
Net Other Financing Sources	$132,138	$135,107	$123,632	$130,955	$154,563
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	$ 16,929	$ 20,574	($18,316)	($20,483)	$10,825
Special Item – Land Sale (See FY15 CAFR Note 1)	-	15,830	11,983	4,309	-
Fund Balances at Beginning of Year	130,163	147,092	183,496	177,163	160,989
Fund Balances at End of Year (3)	$147,092	$183,496	$177,163	$160,989	$171,814

(1) Consists of property, sales and mixed drinks tax.
(2) Reported with Urban Growth Management prior to 2012.
*Numbers vary from the FY15 posting due to a reclassification of expenses between these line items.
(3) As of September 30, 2017, the emergency reserve maintains a balance of six percent of total General Fund requirements, or $58.2 million, and the budget stabilization reserve reports a balance of $76 million.

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CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax– TABLE TEN

At an election held on September 30, 1967, the citizens of Austin voted a 1% retail sales and use tax to become effective on January 1, 1968. This tax provides an additional revenue source to the General Fund of the City. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, who currently remits the proceeds of the tax to the City monthly. Revenue from this source has been:

Fiscal Year Ended 9-30	Per Capita Sales and Use Tax	(in 000's) Sales and Use Tax	% of Ad Valorem Tax Levy
2010	$ 185.87	$ 144,710	42.47%
2011	187.58	151,125	42.59%
2012	199.99	164,193	43.08%
2013	209.35	176,198	42.06%
2014	215.79	189,464	42.46%
2015	222.86	200,382	43.01%
2016	230.58	213,400	41.92%
2017	233.48	218,790	39.50%
2018 (1)	235.94	226,132	36.63%
2019 (2)	245.19	236,150	35.13%

(1) 2018 figures from approved budget.
(2) 2019 figures from approved budget.

Transfers from Utility Funds – TABLE ELEVEN

The City owns and operates a Water and Wastewater System and an Electric Light and Power System, the financial operations of which are accounted for in the Utility Funds. Transfers from the Utility Funds to the General Fund have historically provided a significant percentage of the receipts for operation of the General Fund. The following sets forth the amount of such transfers.

Fiscal Year Ended 9-30	(in 000's) Transfers	% of General Fund Requirements
2010	$ 129,967	21.5%
2011	134,263	20.8%
2012	136,919	19.8%
2013	139,548	17.8%
2014	142,909	18.1%
2015	143,755	16.9%
2016	145,793	16.1%
2017	150,877	15.6%
2018 (1)	154,914	15.1%
2019 (2)	157,586	15.3%

(1) 2018 figures from the approved budget.
(2) 2019 figures from approved budget.

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THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. As a result of an amendment to the Austin City Charter approved at an election held in November, 2012, the configuration of the City Council has changed from a seven member council, comprised of a Mayor and six council members elected at large, to an eleven member council, with the Mayor elected at large, and the remaining members elected from ten single member districts. The first council election held in accordance with the 2012 amendment to the City Charter was held November 4, 2014. 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 of Austin, 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 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 also 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.

Chief Financial Officer / Deputy City Manager – Elaine Hart, CPA

Ms. Elaine Hart received her B.B.A. in Accounting from The University of Texas at Arlington. Effective upon the adoption of the City's fiscal year 2019 budget, Ms. Hart will become Deputy City Manager. Her career with the City spans more than 20 years, including over 10 years in public power. Ms. Hart served as Interim Chief Financial Officer for two months before being appointed to the position of Chief Financial Officer in April 2012. Prior to her appointment as Chief Financial Officer, she served as Senior Vice President of Finance and Corporate Services for Austin Energy, the municipally-owned electric utility. During her tenure at the City (service not continuous), she has also served in other financial capacities, including the City's Chief Financial Officer in the late 1980s, Assistant Finance Director, City Controller and Deputy City Auditor. Ms. Hart also has private sector auditing, accounting and consulting experience.

Deputy Chief Financial Officer – Greg Canally

Mr. Greg Canally is the Deputy Chief Financial Officer for the City of Austin over the Treasury Office, Purchasing Office & Capital Contract Office, and worked as the Finance lead on economic development, transportation initiatives, facility master planning, and a variety of information technology issues for the City. Mr. Canally has been with the City of Austin for 17 years, entirely in the Finance Department. From 2004 through 2008, he was the City's Budget Officer. He is a past member of Government Finance Officers Association's Committee on Economic Development and Capital Planning. Prior to his work in municipal government, Mr. Canally worked as a project manager/economist for HDR Engineering, working with all levels of government to implement Water Planning solutions in Texas. Mr. Canally holds a Bachelor of Science in Economics from Villanova University and a Master of Science in Economics from the University of Texas at Austin.

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, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including Austin Energy, Austin Water, an 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 the municipal employees and 6% for police officers and a percentage based on the amount of increase in the Consumer Price Index for the firemen only if recommended by the independent actuary and approved by the retirement boards.

Annexation Program

The City annexes territory on a regular basis. Chapter 43 of the Texas Local Government Code regulates annexation of property by Texas municipalities. Before annexing territory, the City must develop a service plan describing the municipal services police and fire protection, sanitation, provision and maintenance of public facilities such as water and wastewater facilities, roads, streets, and parks, to be provided to the annexed area. Generally, those services may not be at a lower level of service than provided in other areas of the City with similar characteristics. The City is not obligated to provide a uniform level of service to all areas of the City where differing characteristics of population, topography, and land use provide a sufficient basis for different service levels.

Under current State law, there are two processes for the annexation of territory into a city. The three-year Municipal Annexation Plan ("MAP") process applies generally to annexation of populated areas, generally being those areas that include 100 or more properties with a house on each lot. Unpopulated areas, areas that are annexed by consent, and areas that meet certain other criteria follow the "exempt area process". The processes involve staff review, development of a service plan (or regulatory plan for a limited purpose annexation), property owner notification, publication of a newspaper notice, two public hearings, and ordinance approval. The MAP process also includes an inventory of existing services and a period during which residents appointed by the county commissioners negotiate with City staff on the service plan.

If the annexation service plan for an annexation area includes a schedule for the provision of full municipal services, the City has two and one-half years from the date of the annexation to substantially complete the capital improvements necessary to provide services to the area. However, if necessary, the City may propose a longer schedule. A wide range of services – police and fire protection, sanitation, and maintenance of public facilities such as water and wastewater facilities, roads, streets, and parks – must be provided immediately following annexation. Failure to provide municipal services in accordance with the service plan may provide grounds for a petition and court action for compliance with the service plan or for disannexation of the area, and may also result in a refund of taxes and fees collected for services not provided. The City may not reannex for ten years any area that was disannexed for failure to provide services; however, the City has never been forced to disannex due to such failure.

Some of the areas which may be considered for annexation will 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 is annexing a district, 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 and levies and collects ad valorem taxes on taxable property within the corporate limits of the city 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 achieving 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 limited purposes; 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 City believes that limited purpose annexation is a valuable growth management tool. Since 1999 the City has annexed over 23,000 acres of territory for limited purposes. Strategic Annexation Programs are developed annually. These programs prioritize areas to be considered for annexation, usually at the end of the calendar year, to minimize the fiscal impact to the City.

The following table sets forth (in acres) the annual results of the City's annexations since 2009.

Annexations – TABLE TWELVE

The following table sets forth (in acres) the annual results of the City's annexations since 2009.

Calendar Year	Full Purpose Acres (1)	Limited Purpose Acres
2009	295	984
2010	1,129	2,495
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	0	0

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

Recent Annexation

The largest of the 2017 annexations was the River Place Municipal Utility District 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 taxable assessed value ("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 taxable assessed value for these areas at the time of annexation was approximately $25.4 million.

The City annexed seven areas for full purposes in 2014, including approximately 900 acres of undeveloped land. If developed as anticipated, these areas would include an estimated 1,498 dwelling units and a projected population of 3,747 persons at build-out. The TAV for these areas as of January 1, 2017 was approximately $12.6 million.

In 2013, the Wildhorse Ranch and the remainder of the Goodnight Ranch proposed developments were converted from limited to full purpose annexation status. In addition, the City annexed one commercial area and several undeveloped areas for full purposes for a total of 3,484 acres for the year. The TAV for these areas was approximately $17 million at the time of annexation. City Council also approved the creation and limited purpose annexation of a new Public Improvement District, Estancia, which is located on the southern edge of the City along Interstate Highway 35 South. Future full purpose annexation of this area will occur in accordance with the terms of the development agreement.

The City annexed 3,818 acres for limited purposes in 2012 in accordance with Strategic Partnership Agreements ("SPAs") with nine new Municipal Utility Districts ("MUDs"). Full purpose annexation will be deferred to allow the MUDs to issue debt for major infrastructure improvements and public amenities to serve two large new mixed-use developments in eastern Travis County. In addition, the City annexed 3,387 acres for full purposes including two fully developed areas with mixed commercial, industrial, and residential land uses; four vacant tracts with development plans approved or in process; the Circuit of the Americas racetrack site; and two other associated undeveloped or publicly owned sites. The total TAV for these areas was approximately $119,000,000.

In 2011, the remaining portion of Ribelin Ranch consisting of undeveloped wildlife habitat preserve land was converted from limited to full purpose annexation status. In addition, the City annexed a commercial and industrial area as well as a partially developed single-family residential subdivision for full purposes. The TAV for these areas was approximately $20,510,145.

The 2010 annual program included full purpose annexation of several developed residential and commercial areas, planned residential areas, and public right-of-way. Together the City's full and limited purpose annexations included approximately 8,500 residents and 3,624 acres. In accordance with the terms of the amended SPA between the City and the Springwoods MUD, this area was annexed for limited and later full purposes. In addition, the City annexed the adjacent Springwoods MAP area. City Council also approved the creation and limited purpose annexation of two new PIDs, Whisper Valley and Indian Hills. Future full purpose annexation of these areas will occur in accordance with the terms of the development agreement.

In accordance with the terms of a SPA between the City and the River Place Municipal Utility District, all of the territory in the River Place Municipal Utility District not previously annexed by the City was annexed for limited purposes of planning and zoning in 2009. In addition, the 2009 annual program included full purpose annexation of three small developed residential areas, a commercial and industrial area, and city owned property. Austin surpassed 300 square miles in incorporated area in 2010 and the City's estimated population grew to 778,560 people.

Future Annexation

Shady Hollow Municipal Utility District is scheduled for full purpose annexation in December 2020 in accordance with the terms of a SPA agreement with the City.

Pension Plans

The City has three contributory defined benefit retirement plans for its general municipal, fire, and police employees. 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. The contributions made by the City to the City of Austin Employees Retirement System ("COAERS") include amounts allocable to the City employees within the City's Water and Wastewater System ("Austin Water") and the City's Electric System ("Austin Energy"); the contributions allocable to such employees are paid from gross revenues of the respective utility systems and constitute operating expenses of Austin Water and Austin Energy, respectively.

The following describes the contributions in place as of October 1, 2017. Municipal employees contribute 8.0% and the City contributes 18.0% of payroll. The Firefighters (who are not members of the Social Security System) contribute 18.7% of payroll, and the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.313% of payroll.

Governmental Accounting Standards Board ("GASB") statement 68, as amended, requires governments offering defined benefit pension plans to recognize as an expense and a liability today, future pension obligations for existing employees and retirees which are in excess of pension plan assets. In addition it allows deferral of certain pension expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information.

The City's net pension liability was measured as of December 31, 2016 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 COAERS plan. For the Fire and Police systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 using the final 2016 assumptions and then was rolled forward to the plan's year ending December 31, 2016.

The COAERS, as of December 31, 2016, had a net pension liability of $1.29 billion with a plan fiduciary net position as a percentage of the total pension liability of 64.0%. The Police Officers plan, as of December 31, 2016, had a net pension liability of $420.2 million with a plan fiduciary net position as a percentage of the total pension liability of 62.02%. The Fire Fighters plan, as of December 31, 2016 had a net pension liability of $148.1 million with a plan fiduciary net position as a percentage of the total pension liability of 84.9%.

The City Employees' fund had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The Fire Fighters' fund had no significant changes of assumptions during the measurement period but did have a change in benefit term that affected the total pension liability. Effective January 1, 2017 a cost-of-living adjustment increase of 1.50% went into effect.

The Police Officers' fund had no changes to benefit terms during the measurement period but did have several changes in assumptions that affected the measurement of the total pension liability. Changes to assumptions included:
- The investment return assumption has been decreased from 7.80% to 7.70%,
- The core inflation rate assumption has been decreased from 3.25% to 3.00% per year,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25% per year,
- The assumed rates of salary increase have been amended at most service points,
- The payroll growth assumption has been increased from 3.50% to 4.00% per year.

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 ("CAFR") for their web addresses.

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2016, the amortization period of the unfunded actuarial accrued liability for the COAERS was 31 years, for the Police Officers' Fund was 27.3 years and the Firefighters' Fund was 16.2 years.

As of December 31, 2016, the actuarial accrued liability for the COAERS was $3,591,376,306 and the funded ratio was 67.5%. The actuarial accrued liability for the Police Officers' Fund was was $1,106,505,413 and the funded ratio was 66.2%. The actuarial accrued liability for the Firefighters' Fund was $981,771,267 and the funded ratio was 88.3%.

Although the COAERS funding period had been infinite since December 31, 2002, investment losses in 2008 of 25.9% led to a significant decrease in the actuarial funded ratio and a significant increase to the unfunded actuarial accrued liability. In 2005, a Supplemental Funding Plan ("SFP") was approved that increased the City's annual contribution rate to a maximum of 12%, but even this additional funding was not sufficient to restore the long-term financial health of the COAERS. In FY 2011, City Council approved an amendment to the SFP that increased the City contribution rate to a maximum rate of 18% of pay to be contributed by 2013. The City contributed an additional 6% in FY 2011, an additional 8% in FY 2012 and an additional 10% in FY 2013 pursuant to the terms of the SFP, which brought the City's contribution rate to the maximum of 18%. In addition, a new benefit tier for new employees hired on or after January 1, 2012, was approved by the COAERS Board of Trustees, the City Council and the Texas Legislature. The new benefit tier increases the age and service criteria necessary to reach retirement eligibility. It also decreases the pension multiplier, which is used to determine the final pension amount paid to future retirees. These two actions are expected to substantially improve the long-term financial health of the COAERS over time.

On May 25 2018, the COAERS Board of Trustees received a GASB Statement No. 68 report of the COAERS for the plan's fiscal year ended December 31, 2017. The report stated that as of December 31, 2017, COAERS had a net pension liability of $1.147 billion with a plan fiduciary net position as a percentage of the total pension liability of 69.79%. Additionally, the actuarial accrued liability for the COAERS was $3,797,823,303 and the funded ratio was 68.3%.

On August 15, 2018, the Police Officers' Fund Board received an actuarial valuation report of the Police Officers' Fund for the plan's fiscal year ended December 31, 2017. The report stated that as of December 31, 2017, the Police Officers' Fund had a net pension liability of $420.1 million with a plan fiduciary net position as a percentage of the total pension liability of 64.68%. Additionally, the actuarial accrued liability for the Police Officers' Fund was $1,185,017,294 and the funded ratio was65.8%.

On August 10, 2018, the Firefighters' Fund Board received an actuarial valuation report of the Firefighters' Fund for the plan's fiscal year ended December 31, 2017. The report stated that as of December 31, 2017, the Firefighter's Fund had a net pension liability of $85.0 million with a plan fiduciary net position as a percentage of the total pension liability of 91.82%. Additionally, the actuarial accrued liability for the Firefighters' Fund was $1,038,118,085 and the funded ratio was 88.3%.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 7" in this document for additional information on the City's Pension Plans.

Other Post-Employment Benefits ("OPEB")

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits to its retirees. Other post-employment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other post-employment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other post-employment benefits for retirees or their dependents. Allocation of City funds to pay other post-employment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis. Payments with respect to retirees of Austin Water are paid from Gross Revenues and constitute Operating Expenses of the Water and Wastewater System.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium. The estimated pay-as-you-go cost of providing medical and life benefits was $43.1 million for 4,834 retirees in 2017 and $39.3 million for 4,644 retirees in 2016. As of September 30, 2017, the net OPEB obligation is $1.011 billion.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS – Note 8" in this document for additional information on the City's OPEB.

In fiscal year 2018, the City will implement Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The City's OPEB liability arises from the provision of subsidized medical benefits to its retirees on a pay-as-you-go basis. This statement requires that governmental entities record the entire liability related to OPEB. Prior to implementation of GASB Statement No. 75, the City followed GASB Statement No. 45 which required the recording of the difference between the actuarially determined annual required contribution and the City's actual annual contributions beginning in 2008. As of September 30, 2017, the OPEB liability totaled approximately $1 billion city-wide. Also under GASB Statement No. 45, the City reported in the Notes to the Financial Statements its unfunded actuarial accrued liability (UAAL) of approximately

$2 billion as of September 30, 2017. In implementing the new standard, the City will restate its 2017 OPEB liability on the face of the financial statements, which will now approximate the UAAL.

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 $4.98 million for claims and damages at the end of fiscal year 2017. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

The Enterprise Funds account for the activities of the City that render services on a user charge basis to the general public. Set forth on pages B-32 and B-33 of APPENDIX B in this document is a summary of the revenues, expenses, transfers and net position of the City's enterprise funds for the year ended September 30, 2017.

THE SYSTEMS

The City owns and operates an Electric Utility System (also referred to in this document as "Austin Energy") and a Water and Wastewater System (also referred to in this document as the "Water and Wastewater Utility" or "Austin Water") which provide the City, adjoining areas of Travis County and certain adjacent areas of Williamson County with electric, water and wastewater services. The City owns all the facilities of the Water and Wastewater System. 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, the City individually owns gas/oil-fired electric generation facilities, which are available to meet Electric Utility System demand. For fiscal year 2018, the Electric Utility System had approximately 1,749 full-time regular employees and the Water and Wastewater System had approximately 1,185 full-time regular employees.

STRATEGIC PLANS, GOALS AND POLICIES

Strategic Plan

In December 2003, the City Council approved a strategic plan for Austin Energy. The plan identified three strategies to position Austin Energy for continued success. Austin Energy operates under the approved 2003 strategic plan but new initiatives are underway, including the Technology Roadmap Project, the Facilities Master Plan, and the New Generation Plan. Elements of the Strategic Plan were updated for Fiscal Years 2017-2021 and did not include revisions to the generation plan.

First, an overarching Risk Management Strategy guides Austin Energy to manage its exposure when considering future courses of action. This approach allows Austin Energy to prepare for future options without prematurely investing and allows time for more information to become known before major commitments are made.

Second, a strategy to provide Excellent Customer Service positions Austin Energy to meet evolving customer expectations in a rapidly changing energy industry. Under this strategy, Austin Energy intends to build employee and customer satisfaction so that it is positioned for competition or regulation in the future.

Third, an Energy Resource strategy directs Austin Energy to seek cost-effective renewable energy and conservation solutions to meet customers' new energy needs before resorting to traditional fossil fuel sources. In keeping with the risk management approach, Austin Energy has developed the Resource, Generation and Climate Protection Plan to 2025 discussed further in the next section.

Austin Energy Resource, Generation, and Climate Protection Plan to 2027

The Austin Energy Resource, Generation and Climate Protection Plan to 2027 (the "2027 Plan") outlines the City Council's strategic goals for the utility's environmental and economic leadership and represents a combined, extensive effort of the Austin community. The 2027 Plan is flexible and dynamic in order to respond to changing circumstances including economic conditions, customer load, fuel prices, infrastructure build-out, technological development, law and regulations, policy direction, rate structures and customer needs. It involves extensive analysis of risks, costs and opportunities to meet future demand for electricity.

The 2027 Plan is built on the foundation of previous actions and plans including:

- The City Council adopted the Austin Climate Protection Plan in 2007 to build a more sustainable community. Austin Energy developed the Resource, Generation and Climate Protection Plan to meet these objectives. The first plan, approved by City Council in 2010 and further refined in 2010 by adding affordability metrics, addressed resource plan options through 2020.
- In April 2014, City Council passed Resolution No. 20140410-024 which recognized the need to further accelerate the reduction of greenhouse gas emissions and set a goal of reaching net zero community-wide greenhouse gas emissions by 2050 or earlier if feasible. The City Council then approved an updated Resource, Generation and Climate Protection Plan in December 2014, addressing resource options through 2025 (2025 Plan).

In November 2016, the City of Austin's Electric Utility Commission formed a Working Group to make recommendations on the most recent update to the Plan, which addresses resource plan options through 2027. In addition to reaffirming the affordability goals approved in 2010, the Working Group made recommendations in the areas of Generation, Local Solar, Energy Efficiency and Demand Response, Electric Vehicles and Process.

The 2027 Plan: Goals and Directives

On August 17, 2017, the City Council approved Resolution No. 20170817-061, adopting the Working Group recommendations and providing additional direction. The recommendations and the City Council directives are detailed in this 2027 Plan.

Vision – The City Council affirmed its continued interest in achieving the City's climate protection goal of reduction emissions as quickly as possible.

Affordability – Affordability is an overarching goal. The affordability goal[1] is an average 2% per year limit on rate increases system-wide and for rates to be in the lower 50th percentile statewide. The affordability goal acknowledges that Austin Energy must be financially sound, that the cost of electric service must be affordable for all classes of customers—with particular emphasis on low-income and underserved customers—and that rates must be competitive to ensure the retention and attraction of businesses for a strong local economy.

Resource and Technology Objectives – The following goals are inclusive of the goals in the 2025 Plan. Where a study or modeling effort is indicated such items will be reported to the Electric Utility and Resource Management Commissions as well as the Austin Energy Utility Oversight Committee no later than September 30, 2019 unless a different date is indicated.

Renewable Energy

- Achieve at least 55% renewable energy by 2025, and commit to 65% renewable energy by the end of 2027 as a share of customer consumption. Under the Plan, installed solar capacity would increase to at least 950 MW by 2025, including 200 MW of local solar.

Decker Creek Power Station and Fayette Power Project

- Target ceasing operations and beginning retirement of Decker Steam units, assuming ERCOT approval,

[1] The affordability goal approved by City Council is composed of two metrics: a) Maintain system average rates at or below 2% annual compound growth rate that began October 2012; and b) Maintain an average annual system rate in the lower 50% of all Texas utilities serving residential, commercial and industrial customers as measured by published data from the Energy Information Administration Form 861.

with Steam Unit 1 ceasing operations after summer peak of 2020 and Steam Unit 2 ceasing operations after summer peak of 2021.

- Reaffirm the previous goal, established in 2014, to begin the retirement of Austin Energy's portion of the Fayette Power Project (FPP), beginning by the end of 2022.

Local Solar

- Achieve 110 MW of local solar by the end of 2020, including at least 70 MW of customer-sited solar. Achieve 200 MW by the end of 2025, with at least 100 MW to be customer sited.
- Commit to a local solar budget of $7.5 million per FY 2018 and FY 2019 followed by $5 million per year for FY 2020 thru FY 2027.

Energy Efficiency and Demand Response

- Achieve 800 MWs of energy efficiency and demand response by 2020 and an incremental 100 MW of demand response to achieve a total of at least 900 MW of Demand Side Management (DSM) by 2025.
- Budget at least 2.5% gross revenues to DSM (recovered in the Community Benefit Charge and base rates) – Austin Energy will work with stakeholders to make future goals 'budget-based,' rather than MW-based, as has been done in the past.

Emerging Technology and Energy Storage

- Commit to achieving 30 MW of local thermal storage by 2027, and a minimum of 10 MW of electric storage by 2025. Austin Energy is currently developing 3 MW of electrical storage with the help of a grant from the DOE SHINES program. Using the lessons learned following completion and implementation of the SHINES project develop a roadmap for implementation of electrical storage to achieve the existing goal of 10 MW of electrical storage by 2025.

Electric Vehicles

- Initiate private public partnerships that promote, market, and provide electric vehicle support that will increase utility revenue while reducing air pollution and greenhouse gases. Expand current efforts and, as possible, utilize these vehicles as a valid distributed storage technology.

Financial Policies

The goals of Austin Energy's financial policies are 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 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 requirements. Once these obligations have been met, any remaining net revenues will be deposited into Austin Energy's reserve funds in the following order until each reserve reaches its minimum funding level: Working Capital, Contingency Reserve, Power Supply Stabilization Reserve, and then Capital Reserve. The sum of the four reserves shall be the cash equivalent of no less than 150 days of operating and maintenance expense.

– Austin Energy shall maintain 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, 2017, Austin Energy's operating cash balance was $399 million and Days Cash on Hand (DCOH) was 205 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 Comprehensive Annual Financial Report.

– Austin Energy shall maintain either bond insurance policies or surety bonds issued by highly rated ("AAA") bond insurance companies or a funded debt service reserve or a combination of both for its existing revenue bond issues, in accordance with the Combined Utility Systems Revenue Bond Covenant.

- Debt Service coverage of a minimum of 2.0x shall be targeted for the Electric Utility Bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x coverage.
- 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 (2) 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 electric utility depreciation expense.
- 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, 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 Comprehensive Annual Financial Report.
- 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) 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 Council in the budget directing excess net revenues for General Fund transfers, 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 electric utility revenue bonds. 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 moneys collected for the purpose of decommissioning the STP. An external investment manager may be hired to administer the trust investments. As of September 30, 2017, trust market value was approximately $214 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 Public Utilities Commission of Texas ("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 Utilities 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 utilities over which the PUCT has original jurisdiction.

Section 35.004 of the PURA requires the City 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 the City to provide wholesale services at rates, terms of access, and conditions that are not unreasonably preferential, prejudicial, discriminatory, predatory, or anti-competitive.

An Independent System Operator ("ISO") was established for the Electric Reliability Council of Texas ("ERCOT") as a part of the rules that were adopted by the PUCT to establish access to the wholesale electric market in the State and was approved by the PUCT on August 21, 1996. The ISO received approval on May 5, 2000, of its certification 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 is active in the ERCOT stakeholder process.

SB7 amended PURA to provide for retail deregulation of the electric utility industry in the State. SB7 opened retail competition for Investor Owned Utilities beginning January 1, 2002. SB7 allowed local authorities to choose when to bring retail competition to their Municipally Owned Utilities ("MOU"), and left 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 competition. As a result, retail competition is not allowed inside Austin Energy's service territory. Austin Energy participates in the wholesale power market.

Regulatory Policy

The PUCT has opened Docket 47199 "Project to Assess Price-Formation Rules in ERCOT's Energy-Only Market" to study the implications of adding Real-Time Co-optimization in the ERCOT wholesale market, with the goal of increasing the efficiency and reliable operation of the Real-Time Market. The PUCT is in the process of gathering feedback from market participants and ERCOT and the Independent Market Monitor on a cost benefit analysis for implementing the system. Real-time Co-optimization is the process of procuring energy and ancillary services simultaneously in the Real – Time Market. The PUCT, under this same docket is also looking at marginal line losses that encourages dispatch closer to generation load by pricing transmission losses according to their marginal loss factor. This is still in its discussion phase. Legislation is expected to be introduced addressing price formation during the 86th regular session of the Texas Legislature which commences January 8, 2019. At this time the impact of any such proposed legislation or proposed rules is unknown, as they are all in the early phases of development.

ERCOT Wholesale Market Design

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. Austin Energy's service territory is identified as a load zone for settlement purposes.

Austin Energy's Energy and Market Operations staff offers Austin Energy's generation resources into the ERCOT markets. All power to serve Austin Energy's load is procured from the ERCOT market as well. Participation in the centralized ERCOT wholesale 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 ERCOT market.

The PUCT has considered changes to the ERCOT wholesale market to address some potential resource adequacy challenges. While there is some debate over the existence or severity of a resource adequacy issue, the PUCT has increased the market offer caps and implemented an Operating Reserve Demand Curve to represent the value of operating reserves in the real-time market relative to the probability of loss of load. The PUCT continues to solicit comments on further wholesale market design changes, but there is little expectation any major decisions will be made in the near term.

Federal Rate Regulation

Austin Energy is not subject to jurisdiction of the Federal Energy Regulatory Commission ("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. ERCOT includes stakeholders from all segments of the Texas electric market and 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 specific responsibilities to oversee ERCOT operations and market participant compliance with ERCOT Protocols.

Pursuant to the Energy Policy Act of 2005, municipal entities are now 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. On April 19, 2007, FERC approved the Delegation Agreement between NERC and the Texas Reliability Entity, Inc. ("TRE"), which governs the responsibilities of TRE as the Regional Entity responsible for overseeing the NERC reliability standards in the ERCOT region. Austin Energy has established compliance programs in its Energy Markets; transmission systems planning, operations and reliability; and Information Technology and Telecommunications units to examine the requirements for compliance with the standards and to evaluate and implement any needed changes to systems and procedures. This process is verified through external audits involving TRE.

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 section 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

Clean Power Plan

In October 2015, the United States Environmental Protection Agency ("USEPA") finalized the Clean Power Plan ("CPP") requiring CO2 emissions reductions from the electricity section in most states, and directed each state to develop its own plan to achieve those reductions. The Supreme Court stayed the CPP rule on February 9, 2016, pending review in the D.C. Circuit Court. The D.C. Circuit has yet to issue a ruling; however, in June 2017, the USEPA began the process of revising the rule and is expected to release a proposed revision in Fall 2018. Austin Energy's fleet is less carbon intense than the state-wide fleet as a whole because of investments already made in zero-and-low-carbon generation sources. Austin Energy is well-positioned to comply with this rule.

Mercury and Air Toxics Standards (MATS)

USEPA's final MATS rule published in February 2012 set new emissions limits for mercury and other toxic air emissions from coal and oil-fired electric utility boilers to be achieved by 2015. For Austin Energy, this rule applies to the Fayetteville Power Plant ("FPP") units 1 & 2. Numerous states and industry groups continue to legally challenge USEPA's determination that the rule is needed.

Austin Energy and its operating partner at FPP have already made the necessary investment to comply with MATS and will continue to comply until further direction is provided from the courts and USEPA.

Revisions to the federal ozone National Ambient Air Quality Standard

In November 2014, the USEPA finalized a new lower national ambient air quality standard ("NAAQS") for ground-level ozone at 70 ppb. The USEPA released their final designations in Spring 2018 and designated Travis County, where Austin Energy is located, be designated in attainment of this new standard; therefore, there are no foreseeable direct impacts to Austin Energy from this rule.

Regional Haze

In July 2016, the Fifth Circuit Court of Appeals issued a stay of the USEPA's federal regional haze plan for Texas, the latest example of a federal court halting implementation of a major USEPA regulation (Texas v. EPA, 2016 BL 228327, 5th Cir., No. 16-60118, July 15, 2016). This stay halts the January 2016 promulgated rule that would have imposed a regional haze federal implementation plan on Texas and Oklahoma.

The USEPA is reviewing the final July 2016 decision. In March 2016, the USEPA began a Best Available Retrofit Technology (BART) case-by-case determination of select electric generating units (EGUs) in Texas to address regional haze. Similar to all other EGU owners in Texas, Austin Energy could be impacted by this effort but is waiting on agency action (USEPA/TCEQ).

Environmental Regulation Related to Hazardous Wastes and Remediation

In January 2015, the USEPA 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). Coal ash at FPP is "dry-handled" so there are no active surface impoundments for wet ash slurry. The final rule did not designate CCRs as hazardous and largely minimizes any requirements on existing CCR storage units currently at FPP. USEPA issued a final rule in July 2018 revising the 2015 rule to provide more flexibility for operators. Groundwater is actively monitored at the site per the CCR rule requirements and Austin Energy does not anticipate any significant new operating costs associated with this rule at this time.

Environmental - Other

Austin Energy began decommissioning the Holly Street Power Plant in 2011. This project includes the removal of the main power plant and adjacent support structures and the cleanup of historical contamination and site closure approval by the State. This project is expected to be completed by end of 2019.

Nuclear Regulation

Nuclear generation facilities are subject to regulation by the Nuclear Regulatory Commission ("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 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 expires on December 31, 2025. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants remains at $13.6 billion per unit per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $127.318 million per unit, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at $18.96 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 $300 million 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. The limit increased to $375 million effective January 1, 2010 and subsequently further increased to $450 million effective January 1, 2017.

NRC regulations require licensees of nuclear power plants to obtain on-site 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 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 property damage insurance and $1.25 billion of excess 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 exceed the accumulated fund available to NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for accidental outage insurance, primary and excess property damage insurance is $61.54 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, however in 2018, a separate policy for a 10% quota share of the property coverage was procured by STP with a maximum retrospective premium of 6 times the current premium for that specific policy.

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 2016 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 decommissioning trust market value on September 30, 2017 was $213,923,125. For Fiscal Year 2018, 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, in response to lessons learned from the Fukushima Dai-ichi 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. The NRC issued draft versions of the ISGs on May 31, 2012 and asked for public input. The final ISGs, finalized on August 31, 2012, reflect information gained from the month-long comment period and subsequent public meetings. 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of the Official Statement within the tables numbered one through twelve and in APPENDIX B. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. 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 City will update and provide this financial information and operating data as of the end of each fiscal year within six months after the end of each fiscal year, beginning with the fiscal year ending in 2018 and audited financial statements within 12 months of each fiscal year beginning with the fiscal year ending in 2018. If audited financial statements are not available within 12 months after any such fiscal year end, the City will provide 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 its Electronic Municipal Market Access ("EMMA") information system.

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

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 in 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 Obligations: (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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (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; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. (Neither the Obligations nor the Ordinances make any provision for debt service reserves or liquidity enhancement.) 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 Ordinances.

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. 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 Obligations, 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 specified 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 Obligations 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 Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement 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 Obligations 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 Obligations 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 Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement 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 Obligations in the primary offering of the Obligations. 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 "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

Multiple rating changes occurred with respect to certain obligations of the City between 2013 and 2016, and the City did not file event notices with respect to certain of such rating changes. Subsequently, notices of such rating changes that occurred in 2015 and 2016 were filed. The City has filed event notices with respect to the current ratings of certain of its outstanding obligations. Also, the City inadvertently omitted several tables from the annual financial information and operating data filing for the March 31, 2013 continuing disclosure report relating to certain obligations of the City. The City filed the omitted information on May 14, 2014. With respect to the City's continuing disclosure reports regarding its outstanding Airport System Revenue Bonds, the City determined that (i) a table regarding detailed Airport revenues was inadvertently omitted from such reports that were filed in 2013, however, the total of such Airport revenues was included in such annual filings and such table was included in subsequent annual continuing disclosure reports, and (ii) a table had transposed years in the presentation of data in such report that was filed in 2015, and the City filed corrected information for such table on May 8, 2015. On April 25, 2016, the City filed updated financial information and operating data to reflect audited financial information as well as updated information in the "Comparative Analysis of Electric Utility System and Water and Wastewater System Operations," "Operating Statement Electric Utility System and Water and Wastewater System" and "The Electric Utility System and Water and Wastewater System (Plant Cost and Equity in Utility Systems)" tables previously filed. 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 and will continue to provide updates to the financial information and operating data as changes occur.

TAX MATTERS

Opinion

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

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations 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 Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the 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 Obligations.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Obligations or the facilities financed or refinanced with the proceeds of the Obligations. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Obligations 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 Opinion

The initial public offering price to be paid for one or more maturities of the Obligations may be less than the [principal amount] [maturity amount] thereof or one or more periods for the payment of interest on the Obligations 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 Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, 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 Obligations, 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 Obligations; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes Collateral Federal Income Tax Consequences

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. 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 Obligations should consult their own tax advisors regarding the foregoing matters.

OTHER RELEVANT INFORMATION

Ratings

The Obligations received ratings of "Aaa" from Moody's Investors Service, Inc. ("Moody's"), "AAA" from S&P Global Ratings, a S&P Global Ratings Financial Services LLC business ("S&P"), and "AAA" from Fitch Ratings, Inc. ("Fitch"). The presently outstanding ad valorem tax-supported debt of the City is also rated "Aaa" by Moody's, "AAA" by S&P, and "AAA" by 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 Obligations. 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 Obligations of any such revisions or withdrawal of ratings.

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 matter described below) will not have a material effect on the City's financial condition.

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. 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 City filed a motion to dismiss the case under Rule 91(a) of the Texas Rules of Civil Procedure. The case was dismissed by the trial court on November 27, 2017 on the basis that the plaintiff lacked standing to bring a lawsuit challenging the City's rates. Data Foundry has appealed the trial court's decision, which is now pending before the 14th Court of Appeals in Houston (Cause No. 14-18-00071-CV).

Registration and Qualification

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained in the Securities Act of Texas; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Matters

The delivery of each series of the Obligations is subject to the approval of the Attorney General of Texas to the effect that such Obligations are valid and legally binding obligations of the City payable from sources and in the manner described in this document and in the respective Ordinances and the approving legal opinions of Bond Counsel. The forms of Bond Counsel's opinions are attached hereto in Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations. The legal opinions of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the definitive Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will also be passed upon for the City by Bracewell LLP, Disclosure Counsel for the City. The legal fee of such firm is contingent upon the sale and delivery of the Obligations.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such descriptions conform to the provisions of the respective Ordinances. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the respective Obligations.

The legal opinions to be delivered concurrently with the delivery of the Obligations 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, sale and delivery of the Obligations. The payment of the fee for services rendered by PFM with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. 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 Obligations.

Independent Auditors

The financial data listed as fiscal year 2018 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 included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report.

Initial Purchaser of the Bonds

After requesting competitive bids for the Bonds, the City accepted the bid of Morgan Stanley & Co. LLC (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on the (inside) cover page of the Official Statement at a price of 105.754246(%) of par, which generates cash premium of $3,774,497.55. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Bonds.

Morgan Stanley & Co. LLC., as Purchaser of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor 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 selling efforts with respect to the Bonds

Initial Purchaser of the Certificates

After requesting competitive bids for the Certificates, the City accepted the bid of Morgan Stanley & Co. LLC (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on the (inside) cover page of the Official Statement at a price of 105.561303(%) of par, which generates a cash premium of $397,077.01. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

Morgan Stanley & Co. LLC., as Purchaser of the Certificates, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor 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 selling efforts with respect to the Bonds

Initial Purchaser of the Contractual Obligations

After requesting competitive bids for the Contractual Obligations, the City accepted the bid of BOK Financial Securities, Inc. (the "Initial Purchaser of the Contractual Obligations ") to purchase the Contractual Obligations at the interest rates shown on the (inside) cover page of the Official Statement at a price of 109.458762(%) of par, which generates a cash premium of $2,006,676.44. The Initial Purchaser of the Contractual Obligations can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Contractual Obligations. The City has no control over the price at which the Contractual Obligations are subsequently sold and the initial yield at which the Contractual Obligations will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Contractual Obligations.

Certification of Official Statement and No Litigation

At the time of payment for and initial delivery of the Obligations, the respective Purchaser of each series of the Obligations will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Obligations and the acceptance of the best bids therefor, and on the date of initial delivery of the Obligations, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the

Official Statement, there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the of the City appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the respective Obligations or which would affect the provisions made for their payment or security or in any manner question the validity of the Obligations.

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.

Authenticity of Financial Data and Other 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 will be realized. All of the summaries of the statutes, documents and resolutions contained in this document are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Approval of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement, was approved and authorized by each of the Ordinances adopted by the City Council on August 23, 2018.

/s/ Steve Adler
Mayor
City of Austin, Texas

ATTEST:

/s/ Jannette Goodall
City Clerk
City of Austin, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

GENERAL INFORMATION

The City of Austin (the "City"), chartered in 1839, has a Council-Manager form of government under its home rule charter. A change in governance affecting City Council size, composition, and term duration was approved by the voters with the passage of Propositions 1 – 3 on November 6, 2012. Under the new governance, the Mayor remains elected at-large and ten Councilmembers are elected by geographic district, with all serving four-year staggered terms subject to a maximum of two consecutive terms. The voters also approved moving elections from May to November in even-numbered years, the first of which was held in November 2014. Currently half of the Councilmembers are serving a two-year term, expiring in 2019, with remaining Councilmembers serving terms that expire in 2021. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees and administration of all City affairs.

The City, which is the capital of Texas, is the fourth largest city in the state—behind Houston, Dallas, and San Antonio—and the eleventh largest in the nation, with, according to the City's estimates, a September 2017 population of 946,080. Over the past ten years, Austin's population has increased by approximately 26.8%, or 199,975 residents. Geographically, the City consists of approximately 325 square miles. The current estimated median household income for residents of the City is $56,849 according to Nielsen SiteReports. The City's per capita income is estimated to be $53,908.

The City offers several broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with 48% of adults twenty-five years or older holding a bachelor's or advanced degree, compared to 28% for Texas and 30% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the sixth largest public university in the nation, is known as a world-class center of education and research and was ranked 18th among public universities in the 2018 U.S. News and World Report survey of undergraduate programs.

The City is nationally recognized as a great place to live due in part to its diverse, educated and eclectic population, as well as its promotion of a year-round outdoor active lifestyle. The City draws its special character from its physical setting along the Balcones Escarpment, wedged between coastal plains and dramatic cliffs, canyons, and juniper-carpeted rolling hills. Austin's quality of life has become a critical economic development engine, and the City's diverse demographic structure serves to support and enrich its quality of life.

Major Initiatives

The City's vision has a long-term vision of Austin being the most livable community in the country. The City has a highly dedicated and exceptional workforce to support City Council's policies and initiatives. City staff is committed to creating a work environment that fosters creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. In 2017, Forbes recognized the City of Austin as the 9th overall best employer in the United States in its list of *America's Best Employers*. The list ranks both the public and private sectors. The City was the highest ranked governmental employer in this survey.

Imagine Austin – Austin residents share a sense of community pride and a determination that the City's vision is not just a slogan, but a reality for everyone who lives here. Imagine Austin, a comprehensive plan for the City's future, sets a context to guide decision-makers for the next 30 years. The plan adheres to 6 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

The plan's success is monitored annually with performance metrics and will be formally assessed at least every five years. During the development of both the annual and capital improvement budgets, Imagine Austin, is a consideration in how resources are allocated.

CodeNext – One initiative that resulted from Imagine Austin is CodeNEXT, a major revision of the City's land development code which determines how land can be used throughout the City. A draft of the revised code was published in January 2017; the public subsequently learned about the draft and provided feedback through a variety of mechanisms. As of August 2018, the final adoption of the CodeNEXT has been postponed indefinitely pending further review and deliberation by City Council.

Strategic Plan – In addition to Imagine Austin, in the spring of 2017 the City Council selected six strategic outcomes to help develop and guide City policies, initiatives, and budget development. The six strategic outcomes are:

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

Mobility – In November 2016, voters approved the City's $720 million general obligation bond proposition to fund transportation and mobility improvements. Approximately two-thirds of the funding will be devoted to corridor improvement projects with the remainder earmarked for regional and local improvements including bicycle and pedestrian facilities and safety. The capital spending plan for 2018 includes $60.4 million for mobility projects including improvements to the FM620/RM2222 intersection, design for corridor improvements, safety improvements at several intersections, and infrastructure improvements for the Safe Routes to Schools program. Progress continues on several joint interchange projects along Interstate 35 with the Texas Department of Transportation, one of the City's regional partners. In addition to projects, the City is updating its transportation plan to expand the vision of the Imagine Austin plan into actionable mobility-related goals to guide future transportation investments.

Economic Opportunity and Affordability – Affordability is a prime consideration as the City makes decisions that impact the citizens who live here and the businesses that operate here. Whether setting taxes or utility rates, taking actions that provide affordable housing, or providing services and programs to the underprivileged members of the community, affordability is always part of the discussion. For 2018 there were no base rate increases for five of the City's seven rate assessing enterprise departments. Notably, for the first time in more than a decade, Austin Water customers will experience no rate increase.

Housing affordability is increasingly an issue in a region where housing costs have been rising at a brisk pace and the impact is felt the most by those in the service, music, and creative areas. Since 2006, the median sales price of a home increased almost 63% gradually pricing more and more families out of the home buying market. In April 2017, the City Council passed the Strategic Housing Blueprint which calls for an additional 60,000 affordable housing units to be created by both public and private development in Austin by 2027. The 2018 budget included more than $20 million for housing development, home repair services, and permanent supportive housing in Neighborhood Housing and Community Development. Notable projects include a 50-unit permanent supportive housing facility, a 125-unit affordable apartment complex, and $3 million to renovate an independent living facility for seniors and people with disabilities.

Safety – In addition to the traffic safety enhancements previously mentioned, in 2018 funding was provided for additional positions in Austin Code for enforcement. In addition, all of the public safety departments received additional funding for either positions or enhancements. Watershed Protection is continuing to buyout properties in sections of town that have a high risk of flooding.

Health – Funding was provided for adding staff to the aquatics program to comply with new Texas legal requirements for pool safety, for a new joint-use recreation and community center to be developed in the Montopolis neighborhood of east Austin, and for the operation of a new sobriety center. Fleet Services is in the first phases of installing charging stations for the City's growing fleet of electric vehicles. In addition, several departments received awards for their sustainability efforts:

- Watershed Protection Department was awarded the prestigious MS4 award in November 2017 for having the best, large city Municipal Separate Storm Sewer System.
- The City ranked fifth in the nation among local government purchasers of energy produced by renewable sources per the U.S. EPA. In 2017, Austin Energy purchased an additional 200 megawatts(MW) of wind power and the output of a 150-megawatt solar power plant bringing total wind and solar power under contract to 1,300 MW and 792 MW respectively. AvevCity of Austin
- In April 2017, the U.S. EPA awarded Austin Energy its 11th ENERGY STAR Partner of the Year Energy Efficiency Program Delivery Award for 2017 for the utility's Home Performance with ENERGY STAR® program which will allow Austin Energy to save 1,535 megawatt hours of electricity annually.

Cultural and Learning Opportunities – The City's world class new central library opened in October 2017. The new library overlooks Shoal Creek and Lady Bird Lake and is a main attraction in the redeveloped Seaholm district. Among other things, this "library for the future" features flexible and blended spaces, state-of-the-art technology, sustainable features, and community gathering places.

Government that Works – In 2016, the City established a new Equity Office to build and sustain a culture of equity across the City, help the City remain engaged with residents, meet community needs effectively, and minimize unintended consequences and biases in its decision making. Additionally, Austin 3-1-1 achieved ISO standard certification, becoming the first 3-1-1 center in the nation to be ISO 9001:2015 certified. ISO, the International Organization for Standardization, is a world-renowned and recognized international body that standardizes how businesses and organizations manage information and processes based on quality management principles.

2018 Bond Election

On August 9, 2018, the City Council approved submitting to the voters of the City a general obligation bond election seeking authority to issue $925,000,000 in bonds for a variety of public purposes. The election will be conducted on November 6, 2018.

FINANCIAL INFORMATION

Financial Policies

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

Accounting System

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise and internal service funds are maintained on an accrual basis.

Article VII, Section 15 of the City's Home Rule Charter requires an annual audit of all accounts of the City by an independent certified public accountant. This charter requirement has been complied with and the accountant's report is included in APPENDIX B – "AUDITED FINANCIAL STATEMENTS" in this document.

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.

Operating Budget

The City's Home Rule Charter and State law require the City Manager to prepare and submit to the City Council a balanced budget consisting of an estimate of the revenues and expenditures in the budget period and the undesignated General Fund balance available for re-appropriation. The City is barred by Texas law and the City's Charter from deficit budgeting. The City's approach of balancing the budget by not relying on one-time solutions, while at the same time making key investments in the community, the infrastructure, the economy, the sustainability and its employees, is providing what the City believes is a 21st century "best-managed" model for cities all around the country. 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. As directed by the financial policies, the City's budgeting approach emphasizes fiscal responsibility by limiting spending in a given year to projected revenue collections.

The annual operating budget is proposed by the City Manager and approved by the City Council after public discussion. The budget process in the City normally commences with all department heads submitting to the Chief Financial Officer of the City a detailed estimate of the appropriations required for their respective departments during the next fiscal year. The Chief Financial Officer of the City, in turn, forwards these estimates to the City Manager, who submits them to the Mayor and City Council for their consideration and approval. The annual operating budget is approved by the City Council in September of each calendar year, prior to the commencement of the upcoming fiscal year of the City.

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 fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the City's 2016 Comprehensive Annual Financial Report ("CAFR"), the City continues to meet its responsibility for sound financial management.

Budgetary Information

The structurally balanced fiscal year 2018 Approved Budget totals $3.9 billion and includes $1 billion for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services to the citizens of Austin. Austin budgeted revenue comes from utility charges (49%), various taxes (including property) (24%), charges for services and goods (14%), and other revenue such as interest, fees, and transfers (13%). The fiscal year 2018 budget was approved with a 0.3 cent increase to the property tax rate, from 44.18 to 44.48 cents per $100 of taxable value.

The City's largest enterprise department, Austin Energy, is the eighth largest municipal-owned electric utility in the United States in terms of customers served. Austin Energy serves more than 465,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. The approved budget for fiscal year 2018 is $1.4 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources such as solar and wind.

The City's second largest enterprise activity is the Austin Water Utility, which provides water and wastewater services to more than one million retail and wholesale customers spanning more than 540 square miles within Austin and surrounding areas. The fiscal year 2018 budget projects revenues and transfers in of $624 million. For the first time in several years, the utility has a zero-percent rate increase for water and wastewater services for fiscal year 2018. Growth in revenue is the result of projected customer growth and higher water consumption projections.

Fiscal Year 2019 Budget

The approved fiscal year 2019 operating budget was prepared in accordance with guidelines provided by the City Council. The approved budget includes a total tax rate of $0.4403 per $100 assessed valuation; a tax rate of $0.4403 per $100 assessed valuation would generate revenue for the approved budget as set forth below. The following is a summary of the approved fiscal year 2019 General Fund Budget.

Beginning Balance, October 1, 2018 (Budget Basis)

Summary of Budgeted General Fund Resources		
Revenue:		
General Property Taxes	$484,952	
City Sales Tax	236,150	
Other Taxes	13,520	
Gross Receipts/Franchise Fees	35,310	
Miscellaneous	102,592	
Total Revenue		$872.524
Transfers In:		
Electric Revenue	$110,000	
Water Revenue	47,586	
Total Transfers In		157,586
Total General Fund Resources		$1,030,110
Summary of Budgeted General Fund Requirements		
Departmental Appropriations:		
Administrative Services	$ 25,849	
Urban Growth Management	16,792	
Public Safety	718,006	
Public Health and Human Services	81,083	
Public Recreation and Culture	144,241	
Total Departmental Appropriations		$ 985,970
Transfers Out		35,838
Other Requirements		8,301
Total General Fund Requirements		$1,030,110
Use of Beginning Balance		0
Ending Balance		$ 0
Budgeted Reserve Requirements		
Emergency Reserve		$61,664
Contingency Reserve		5,000
Property Tax Reserve		4,500
Budget Stabilization Reserve Fund		61,863
Total Budgeted Reserve Requirements		$133,027

The City's financial policies regarding General Fund reserves were revised effective fiscal year 2017 to combine the Emergency Reserve Fund with the General Fund Contingency Reserve Fund and establish a 12% target for the sum of all General Fund reserves. The financial polices require a minimum Emergency Reserve balance of 6% of total General Fund requirements; previously, the policy set the Emergency Reserve amount at $40 million and set the Contingency Reserve at 1% of departmental expenditures. Reserve usage and replenishment requirements did not change in the revised financial policies.

Long-Term Financial Planning

The City annually prepares a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the subsequent 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, was initially completed in 2014 and continues to be updated annually. The Long-Range CIP Strategic Plan seeks to improve the transparency of the City's long-term infrastructure plans and further align the City's CIP investments with the Imagine Austin Comprehensive Plan as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a growing community and strategic investments that support community priorities. Finally, 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 annexation to clean energy and climate protection to strategic mobility planning.

On November 5, 2013, voters approved $65 million in general obligation debt for affordable rental and ownership housing as well as preservation of existing affordable housing stock. The City is implementing projects authorized by this election as well projects authorized in the November 2012 election, when Austin voters approved a $307 million general obligation bond program that includes transportation and mobility projects, as well as projects for open space and watershed protection, parks and recreation, public safety, health and human services, and library, museum and cultural arts facilities.

On November 8, 2016, voters approved the issuance of general obligation debt in an amount up to $720 million to finance transportation and mobility projects, being overseen by the Council-appointed Bond Oversight Committee, which is charged with ensuring efficiency, equity, timeliness, and accountability in the implementation of the program.

The Capital Improvement Plan and Capital Budget

The Capital Improvement Plan is a five-year list of capital improvements and a corresponding spending plan for financing these improvements. It is developed through public input and department prioritization of needs. The process includes neighborhood meetings, department requests, assessment of requested projects by the City's Budget Office, input from the Planning Commission's CIP Subcommittee and other Boards and Commissions, and citizen input from public hearings. Each fiscal year, the Planning Commission reviews the Capital Improvement Plan and submits a recommendation to the City Manager detailing specific projects to be included in the Capital Budget for the next fiscal year.

The City Manager considers the Planning Commission's recommended plan to propose a Capital Budget to the City Council. The Capital Budget contains requested appropriations for new projects, additional appropriations for previously approved projects and any requests to revise prior year appropriations. Unlike the Operating Budget, which authorizes expenditures for only one fiscal year, Capital Budget appropriations are multi-year, lasting until the project is complete or until changed by the City Council.

The City Council reviews the Capital Budget, holds public hearings to gather final citizen input and establishes the amount of revenue and general obligation debt to sell to fund capital improvements.

Fiscal Year 2019 Capital Budget

The five-year Capital Improvement Program (CIP) plan estimates city-wide capital spending in of $1.0 billion in fiscal year 2019. The first year of the five-year plan was used to determine the new appropriations required for inclusion in the fiscal year 2019 Capital Budget. The proposed city-wide total appropriation is $1.3 billion. Appropriation by department is listed below.

Summary of Fiscal Year 2019 Capital Budget (millions):

Austin Energy	476.8
Austin Resource Recovery	15.9
Austin Transportation	121.7
Austin Water	23.2
Aviation	458.1
Building Services	16.4
Communications and Technology Management	20.1
Financial Services	6.4
Fire	16.7
Fleet	26.0
Parks and Recreation	18.2
Planning and Zoning	1.0
Public Works	11.6
Watershed Protection	53.1
TOTAL PROPOSED NEW APPROPRIATIONS	$1,265.2

ADDITIONAL INFORMATION

Ten Largest Employers (As of September 30, 2017)

Employer	Product or Service	Employees
State Government	Government	38,353
The University of Texas at Austin	Education	23,131
City of Austin	Government	13,825
Federal Government	Government	12,700
HEB Grocery	Grocery/Retail	12,198
Dell Computer Corporation	Computers	12,000
Austin Independent School District	Education	11,447
Seton Healthcare Network	Healthcare	10,270
St. David's Healthcare Partnership	Healthcare	8,598
Samsung Austin Semiconductor	Manufacturer	6,074

Source: 2017 Comprehensive Annual Financial Report

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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)
2008	746,105	298	1,633,870	65,153,669	46,340	39,877	4.3%
2009	770,296	302	1,682,338	64,290,898	47,520	38,215	6.9%
2010	778,560	306	1,727,743	69,124,528	48,460	40,009	7.0%
2011	805,662	308	1,781,409	76,507,673	46,689	42,948	6.6%
2012	821,012	319	1,835,298	84,319,550	46,818	45,943	5.7%
2013	841,649	321	1,884,439	87,138,010	46,436	46,241	5.1%
2014	878,002	321	1,943,465	95,231,402	49,227	49,001	4.2%
2015	899,919	323	2,000,860	102,072,207	52,519	51,014	3.4%
2016	925,491	326	2,056,405	106,040,064	56,163	55,065	3.2%
2017	937,065	325	2,007,799 (6)	112,009,610 (5)	56,849(6)	53,908 (5)	2.9%
2008-2017 Change	25.59%	9.03%	27.17%	71.92%	22.68%	35.19%	

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 2017 which will not be available until later in 2018.
(3) Source: Claritas, a Nielson Company.
(4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30.
(5) Data not available for 2017. Figures are estimated.
(6) Source: Nielsen SiteReports.

City Sales Tax Collections (In Millions) (1)(2)

Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-13	$13.126	1-1-14	$15.123	1-1-15	$15.260	1-1-16	$16.138	1-1-17	$17.697	1-1-18	$18.369
2-1-13	18.079	2-1-14	19.112	2-1-15	21.092	2-1-16	21.884	2-1-17	21.866	2-1-18	22.174
3-1-13	13.324	3-1-14	13.782	3-1-15	14.677	3-1-16	15.667	3-1-17	16.597	3-1-18	17.895
4-1-13	12.727	4-1-14	13.803	4-1-15	14.345	4-1-16	15.528	4-1-17	17.370	4-1-18	16.939
5-1-13	15.962	5-1-14	17.750	5-1-15	19.404	5-1-16	19.258	5-1-17	18.790	5-1-18	21.249
6-1-13	12.869	6-1-14	15.581	6-1-15	15.958	6-1-16	17.070	6-1-17	16.838	6-1-18	18.371
7-1-13	14.699	7-1-14	14.723	7-1-15	16.180	7-1-16	16.836	7-1-17	18.059	7-1-18	19.552
8-1-13	16.088	8-1-14	16.970	8-1-15	19.483	8-1-16	21.467	8-1-17	19.930	8-1-18	20.338
9-1-13	14.119	9-1-14	15.385	9-1-15	16.429	9-1-16	16.352	9-1-17	17.401		
10-1-13	14.644	10-1-14	15.309	10-1-15	16.514	10-1-16	17.106	10-1-17	17.828		
11-1-13	16.187	11-1-14	17.734	11-1-15	18.952	11-1-16	19.059	11-1-17	19.382		
12-1-13	14.192	12-1-14	15.735	12-1-15	16.269	12-1-16	17.033	12-1-17	17.567		
	$176.02		$191.01		$204.56		$213.40		$219.33		$154.89

(1) Sales taxes are not pledged to the payment of the Obligations.
(2) Collections for 10-1-11 reflect an increase of $1,162,541 in future period and audit collection adjustments from the prior year. Sales taxes are not pledged to the payment of the Obligations or the Taxable Bonds.
Source: City of Austin, Budget Office

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Utility Connections

	Utility Connections		
Year	Electric (1)	Water (1)	Gas (1)
2007	388,620	200,956	188,101
2008	397,100	207,979	198,718
2009	407,926	209,976	208,232
2010	413,870	210,885	204,823
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

(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)

	2013		2014		2015		2016		2017	
		% of total		% of total		% of total		% of total		% of total
Mining, Logging, and Construction	47,400	5.20%	52,900	5.60%	56,800	5.80%	60,300	5.90%	61,500	5.96%
Manufacturing	58,200	6.40%	56,200	5.90%	54,900	5.60%	56,300	5.50%	57,100	5.53%
Trade, Transportation, and Utilities	161,400	17.80%	165,900	17.50%	173,800	17.60%	176,800	17.40%	177,100	17.15%
Information	24,900	2.70%	26,700	2.80%	28,000	2.80%	28,900	2.80%	30,100	2.91%
Financial Activities	50,700	5.60%	53,000	5.60%	55,400	5.60%	57,700	5.70%	59,700	5.78%
Professional and Business Services	144,600	15.90%	154,900	16.40%	165,000	16.70%	171,100	16.80%	176,300	17.07%
Education and Health Services	104,400	11.50%	109,100	11.50%	114,300	11.60%	118,600	11.60%	120,300	11.65%
Leisure and Hospitality	101,600	11.20%	108,600	11.50%	118,100	12.00%	123,200	12.10%	125,900	12.19%
Other Services	41,200	4.50%	42,400	4.50%	42,500	4.30%	44,700	4.40%	44,900	4.35%
Government	172,900	19.10%	175,700	18.60%	177,800	18.00%	181,200	17.80%	179,800	17.41%
Total nonfarm employment	907,300	100.00%	945,400	100.00%	986,600	100.00%	1,018,800	100.00%	1,032,600	100.00%

(1) Austin-Round Rock MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. 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.

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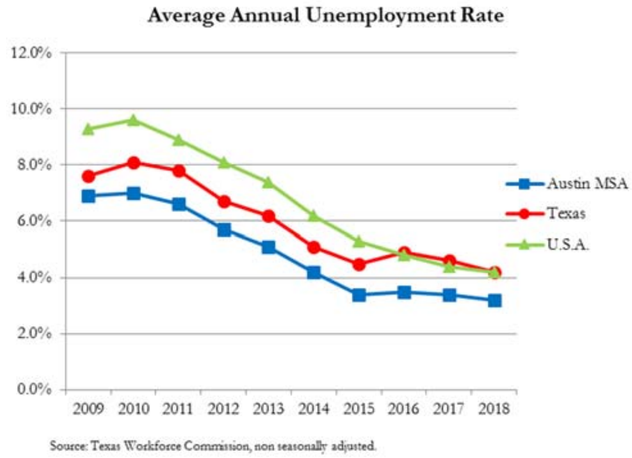
Average Annual Unemployment Rate



	Austin MSA	Texas	U.S.A.
2009	6.9%	7.6%	9.3%
2010	7.0%	8.1%	9.6%
2011	6.6%	7.8%	8.9%
2012	5.7%	6.7%	8.1%
2013	5.1%	6.2%	7.4%
2014	4.2%	5.1%	6.2%
2015	3.4%	4.5%	5.3%
2016	3.5%	4.9%	4.8%
2017	3.4%	4.6%	4.4%
2018(1)	3.2%	4.2%	4.2%

Note: Information is updated periodically; data contained in this document is latest provided.
Source: Texas Labor Market Review, Texas Workforce Commission.
(1) As of July, 2018.

Housing Units

Rental rates in the City averaged $1.44 per square foot, with an occupancy rate of 93.2% as of June 2018, per Capitol Market Research.

Residential Sales Data

Year	Number of Sales	Total Volume ($)	Average Price ($)
2009	20,407	4,830,082,305	236,700
2010	19,547	4,819,525,215	246,600
2011	21,034	5,281,953,406	251,100
2012	25,198	6,706,091,541	266,100
2013	29,970	8,601,985,078	287,000
2014	30,150	9,269,541,100	307,400
2015	31,560	10,462,239,995	331,500
2016	32,955	11,450,827,153	347,500
2017	16,888	6,234,521,201	365,700
2018 (1)	17,330	6,672,060,890	400,773

Source: Real Estate Center at Texas A&M University.
(1) As of June 2018

City-Wide Austin Office Occupancy Rate

Year	Occupancy Rate
2009	77.7%
2010	80.0%
2011	82.7%
2012	86.8%
2013	89.2%
2014	90.9%
2015	90.9%
2016	91.8%
2017	89.5%
2018 (1)	88.8%

(1) As of June 2018.
Source: Cushman & Wakefield.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2017, 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 discretely presented component units which represent 100% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports, one of which (Austin Bergstrom Landhost Enterprises) contains an emphasis of matter paragraph related to a going concern issue, have been furnished to us, and our opinion, insofar as it relates to the amounts included for 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, 2017, 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 the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Deloitte & Touche LLP

March 1, 2018

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, 2017.

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. 74, No. 76 through No. 80, and No. 82.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

The assets of the City exceeded its liabilities at the end of the fiscal year 2017, resulting in $4.4 billion of net position. Net position associated with governmental activities is approximately $0.5 billion, or 10.3% of total net position, while the net position associated with business-type activities is approximately $4.0 billion, or 89.7% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is $4.1 billion, or 91.8% of total net position.

The City's unrestricted net position is a deficit of $478.3 million. Unrestricted net position for governmental activities is a deficit of $1.4 billion, while unrestricted net position for business-type activities is approximately $915.8 million, or 23.0% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of $1.2 billion and other postemployment benefits payable of $631.2 million.

During fiscal year 2017, total net position for the City of Austin increased $121.0 million or 2.8%. Of this amount, governmental activities decreased $177.6 million, or 28.1% from the previous year and business-type activities increased $298.5 million, or 8.1%.

Total revenues for the City increased $111.6 million; revenues for governmental activities increased $25.2 million; revenues for business-type activities increased $86.4 million. Total expenses for the City increased $213.5 million; expenses for governmental activities increased $92.5 million; expenses for business-type activities increased $121.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also contains 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 of Austin 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 the 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

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

The government-wide financial statements also include three discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), 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 ACE and ABLE. WCLGC activities are recorded in the City's financial system and City staff prepares the financial reports for this entity.

b -- Fund financial statements

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

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

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

Fund Types/Other	Government-wide	Fund Financials
General Fund	Governmental	Governmental - Major
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital 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 Utility	Business-type	Proprietary - Major
Airport	Business-type	Proprietary - Major
Convention	Business-type	Proprietary – Nonmajor
Environmental and health services	Business-type	Proprietary – Nonmajor
Public recreation	Business-type	Proprietary – Nonmajor
Urban growth management	Business-type	Proprietary – Nonmajor
Fiduciary funds	Excluded	Fiduciary
Discrete component units	Discrete component units	Excluded

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 nine 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:

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	$ 658,456	620,994	1,662,516	1,451,381	2,320,972	2,072,375
Capital assets	2,949,094	2,898,442	7,909,044	7,692,806	10,858,138	10,591,248
Other noncurrent assets	161,139	138,151	2,139,577	1,797,435	2,300,716	1,935,586
Total assets	3,768,689	3,657,587	11,711,137	10,941,622	15,479,826	14,599,209
Deferred outflows of resources	359,842	393,054	342,671	413,338	702,513	806,392
Current liabilities	361,031	333,146	532,870	532,423	893,901	865,569
Noncurrent liabilities	3,305,919	3,077,582	6,328,919	6,002,049	9,634,838	9,079,631
Total liabilities	3,666,950	3,410,728	6,861,789	6,534,472	10,528,739	9,945,200
Deferred inflows of resources	6,228	7,009	1,215,205	1,142,181	1,221,433	1,149,190
Net position:						
Net investment in capital assets	1,709,146	1,719,704	2,358,240	2,250,698	4,067,386	3,970,402
Restricted	140,299	124,695	702,749	690,459	843,048	815,154
Unrestricted (deficit)	(1,394,092)	(1,211,495)	915,825	737,150	(478,267)	(474,345)
Total net position	$ 455,353	632,904	3,976,814	3,678,307	4,432,167	4,311,211

In the current fiscal year, total assets increased $880.6 million and deferred outflows of the City decreased by $103.9 million. Total liabilities increased $583.5 million and deferred inflows increased by $72.2 million. Governmental-type total assets increased by $111.1 million and business-type increased by $769.5 million, while governmental-type liabilities increased by $256.2 million and business-type increased by $327.3 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of $50.7 million as the City continues to build out projects from the 2012 bond program. Factors in the increase of governmental-type liabilities include increases in bonds payable of $60.3 million, related primarily to the 2012 and 2016 bond programs along with increases in the net pension liability of $78.1 million and other postemployment benefits payable of $93.3 million.

The most significant factor in the increase of business-type total assets is related to growth in capital assets of $216.2 million or 28.1% of the increase in business-type total assets. The primary factors in the increase in business-type total liabilities of $327.3 million include an increase in long term debt of $298.8 million and an increase in other postemployment benefits of $54.4 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 $4.4 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 $4.1 billion, or 91.8% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, $843.0 million 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 $478.3 million of unrestricted net position. Unrestricted net position decreased $3.9 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 $1.4 billion and $478.3 million 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	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	$ 176,640	182,045	2,500,259	2,411,212	2,676,899	2,593,257
Operating grants and contributions	45,162	47,430	861	739	46,023	48,169
Capital grants and contributions	90,256	95,486	137,464	144,139	227,720	239,625
General revenues:						
Property tax	554,631	507,485	--	--	554,631	507,485
Sales tax	218,790	212,634	--	--	218,790	212,634
Franchise fees and gross receipts tax	151,670	147,773	--	--	151,670	147,773
Interest and other	26,950	41,708	14,801	10,936	41,751	52,644
Special item - land sale	--	4,309	--	--	--	4,309
Total revenues	1,264,099	1,238,870	2,653,385	2,567,026	3,917,484	3,805,896
Program expenses:						
General government	192,231	177,302	--	--	192,231	177,302
Public safety	719,032	657,846	--	--	719,032	657,846
Transportation, planning, and sustainability	72,517	66,739	--	--	72,517	66,739
Public health	119,278	100,195	--	--	119,278	100,195
Public recreation and culture	161,226	147,191	--	--	161,226	147,191
Urban growth management	156,180	179,081	--	--	156,180	179,081
Interest on debt	61,879	61,500	--	--	61,879	61,500
Electric	--	--	1,277,623	1,226,585	1,277,623	1,226,585
Water	--	--	281,787	244,907	281,787	244,907
Wastewater	--	--	219,609	237,450	219,609	237,450
Airport	--	--	158,863	135,860	158,863	135,860
Convention	--	--	75,377	63,796	75,377	63,796
Environmental and health services	--	--	108,658	102,994	108,658	102,994
Public recreation	--	--	8,736	8,266	8,736	8,266
Urban growth management	--	--	183,532	173,360	183,532	173,360
Total expenses	1,482,343	1,389,854	2,314,185	2,193,218	3,796,528	3,583,072
Excess (deficiency) before transfers	(218,244)	(150,984)	339,200	373,808	120,956	222,824
Transfers	40,693	121,838	(40,693)	(121,838)	--	--
Increase (decrease) in net position	(177,551)	(29,146)	298,507	251,970	120,956	222,824
Beginning net position, as previously reported	632,904	662,050	3,678,307	3,426,337	4,311,211	4,088,387
Ending net position	$ 455,353	632,904	3,976,814	3,678,307	4,432,167	4,311,211

Total net position of the City increased by $121.0 million in the current fiscal year. Governmental net position decreased by $177.6 million. The decrease is attributable to expenses exceeding revenues by $218.2 million before transfers from other funds of $40.7 million. Business-type net position increased by $298.5 million due to revenues exceeding expenses by $339.2 million before transfers to other funds of $40.7 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

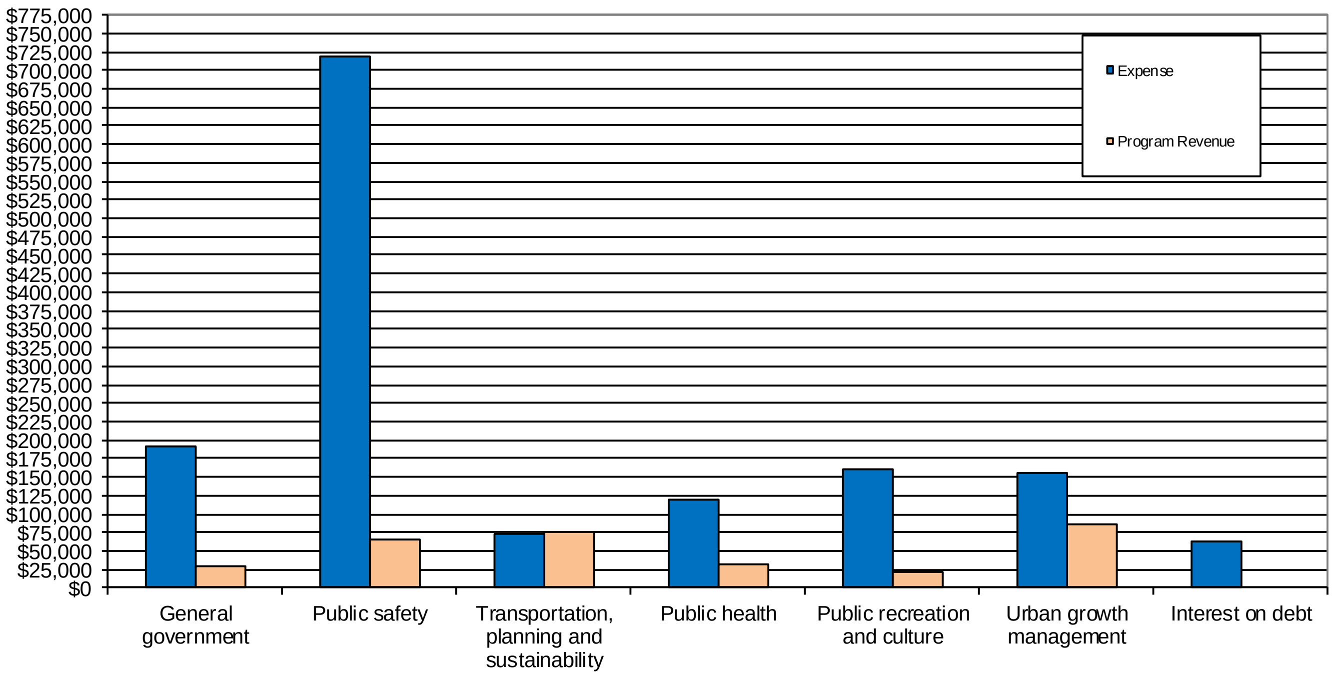
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net position by $177.6 million in fiscal year 2017, a 28.1% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2016 to 2017 are as follows:

- The City's property tax revenue increased by $47.1 million from the previous year due to an increase in assessed property values of $15 billion, while the property tax rate per $100 of valuation decreased from 0.4589 to 0.4418.
- Sales tax collections and franchise fees for the year were $6.2 million and $3.9 million, respectively, more than the prior year as result of the continued improvement in the Austin economy.
- Increases in pension expense and other postemployment benefit expense are the primary drivers for increased expenses in public safety ($61.2 million) and public health ($19.1 million). Public safety expenses included an additional $32 million in pension expense and $19 million in other postemployment benefit expenses with the remainder primarily due to salary and fringe benefit increases as a result of the addition of 141 full time equivalents (FTE). Public health expenses included an additional $6 million in pension expenses and $5 million in other postemployment benefits expenses with the remainder primarily due to increases in social service contracts.
- Indian Hills Public Improvement District and Whisper Valley Public Improvement District paid off special assessment subordinate bonds in 2016 in the amount of $14.9 million and $1.3 million respectively, which is the primary reason for the decrease in expense in urban growth management of $22.9 million in 2017.

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

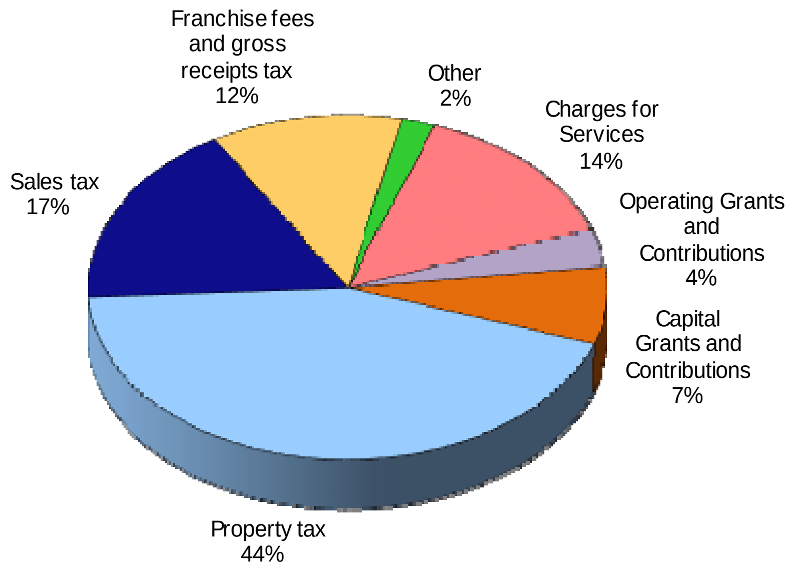
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

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

Government-wide Revenues by Source -- Governmental Activities



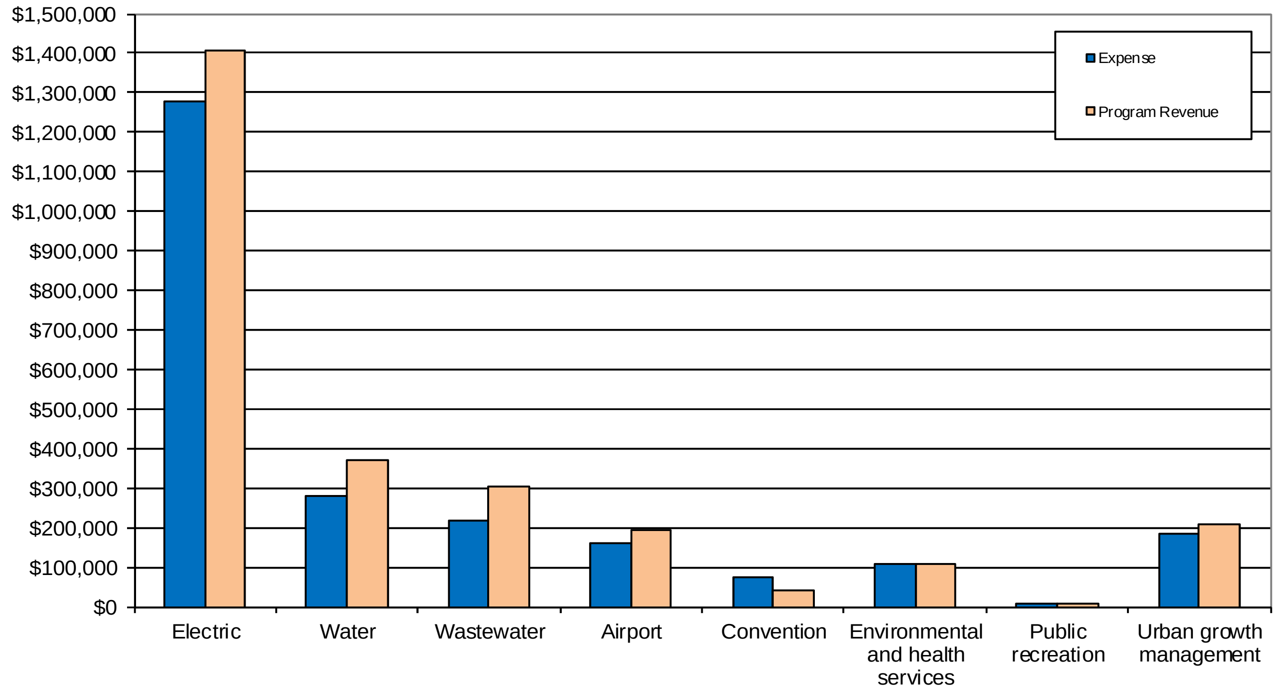
d -- Program revenues and expenses -- business-type activities
Business-type activities increased the City's net position by approximately $298.5 million, accounting for a 6.9% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately $21.7 million. Operating revenues decreased primarily due to the base rate reduction offset by increased power supply and regulatory revenue. Operating expenses increased primarily due to transmission and power supply costs.
- Austin Water Utility net position increased approximately $123.3 million. Revenues increased 5.3% largely due to a combined utility rate increase of 3.0% for fiscal year 2017. Expenses increased by 3.9% due to an increase in operating and maintenance costs.
- Airport net position increased approximately $38.8 million. Revenues increased 18.6% due to an increase in passenger traffic and higher rental and landing fees. Passenger traffic increased 8.0% over the previous year. Expenses increased 16.9% due to an increase in operating and maintenance costs and interest expense on debt service.
- Convention Center net position increased approximately $41.4 million. Revenues and transfers from the Hotel Occupancy and Vehicle Rental Tax Funds increased 9.7% due to additional hotels put in service causing an increase in total room nights as well as growth of large events. Expenses increased 18.1% due to an increase in operating costs, pension expense, and other postemployment benefits.
- Environmental and health services activities is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position increased approximately $11.0 million. Revenues increased by 5.8% due mainly to an increase in the Clean Community Fee of $0.40 per residential account and $1.75 per commercial customer account and an increase to the base customer charge of $1.00. Expenses increased by 5.5% due mainly to an increase in operations and support services costs.
- Urban growth management activities are comprised of the Drainage and Transportation nonmajor enterprise funds. Net position increased by approximately $63.6 million. Drainage revenues and transfers increased 36.3% primarily due to a $50 million transfer for home buyouts. Drainage expenses remained relatively flat. Transportation revenues increased approximately 23.2% primarily due to an increase in the Transportation User Fee of $1.75 per single-family home as well as an increase in the number of hours charged for parking in the downtown area. Transportation expenses increased 15.3% due to an increase in operations and support services costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

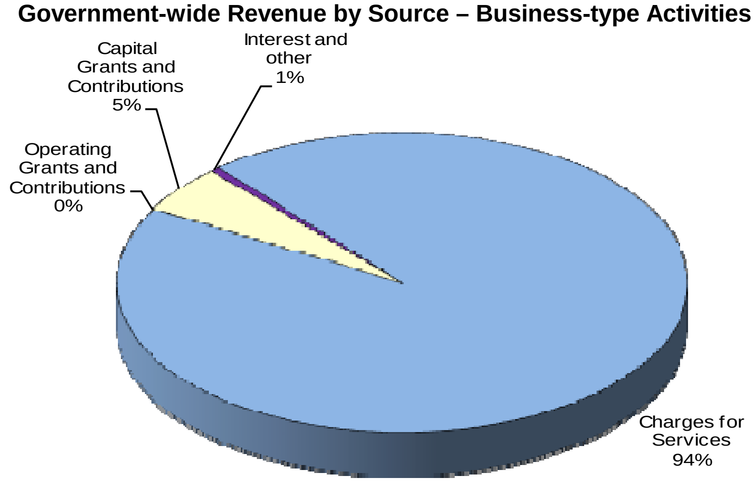
As shown in the following chart, Austin Energy (electric), with expenses of $1.3 billion is the City's largest business-type activity, followed by water with $281.8 million, wastewater with $219.6 million, urban growth management with $183.5 million, airport with $158.9 million, environmental and health services with $108.7 million, convention with $75.4 million, and public recreation with $8.7 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention and public recreation.

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



For all business-type activities, charges for services provide the largest percentage of revenues (94.23%), followed by capital grants and contributions (5.18%), interest and other revenues (0.56%), and operating grants and contributions (0.03%).

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 $512.4 million, an increase of $28.5 million from the previous year. Approximately $1.8 million is nonspendable, $214.6 million is restricted, $40.7 million is committed, $139.3 million is assigned, and $116.1 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 $0.7 million, assigned fund balance of $29.6 million, and unassigned fund balance of $141.5 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 14.5% of total General Fund expenditures of $976.0 million, and total fund balance represents 17.6% 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 $76.0 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 $10.8 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $33.0 million due to an increase in assessed property values.
- Licenses, permits, and inspections increased $13.6 million, and sales tax revenues increased by $6.2 million.

General Fund expenditures increased $43.8 million, due primarily to increases in the following areas: public safety ($16.2 million), general government ($9.5 million), public health ($8.1 million), public recreation and culture ($6.9 million), and urban growth management ($3.4 million). These increases are primarily due to a 2.5% general wage increase for non-sworn employees and a 2% general wage increase for sworn Police, Fire, and EMS employees, the addition of 195 FTE's, and increases in contractual expenditures.

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by $286.4 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

The original revenue budget of the General Fund was not amended during fiscal year 2017. The original expenditure budget of the General Fund was amended during fiscal year 2017 to increase expenditures for the addition of one full time position to the Fire department for assignment at the Airport. Airport will reimburse the Fire department for the cost of this position, budgeted at $83,000. The net impact to the General Fund was $0 with the addition of the one FTE. The expenditure budget was also increased by $3.5 million for overtime in the Fire department due to staffing shortages. This amount was appropriated from the Budget Stabilization Reserve.

During the year, actual budget basis revenues were $4.5 million more than budgeted. Licenses, permits and inspections were $10.3 million more than budgeted due to higher fees, and larger than anticipated inspection volume. This was offset partly by $5.4 million in lower than budgeted sales tax collections.

OTHER INFORMATION, continued

Actual budget-basis expenditures were $13.0 million less than budgeted. All departments were under budget. Police and EMS were under budget by $3.5 million and $1.8 million, respectively, due primarily to salary savings from regular position vacancies. Fire was under budget by $1.5 million largely due to lower than expected equipment replacement and maintenance costs. Library was under budget by $1.9 million largely due to salary and contractual expense savings caused by the delayed opening of the new central library. Other urban growth management was $2.1 million under budget due primarily to lower contractual expenses as a result of agreements not realized. The total budget-basis fund balance at year-end was $174.9 million.

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2017, total $10.9 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 $266.9 million, with an increase of 1.8% for governmental activities and an increase of 2.8% 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Building and improvements	$ 651	551	1,916	1,776	2,567	2,327
Plant and equipment	65	74	2,348	2,321	2,413	2,395
Vehicles	52	50	76	81	128	131
Electric plant	--	--	2,198	2,222	2,198	2,222
Non-electric plant	--	--	141	144	141	144
Nuclear fuel	--	--	43	47	43	47
Water rights	--	--	82	83	82	83
Infrastructure	1,658	1,581	--	--	1,658	1,581
Land and improvements	379	374	676	651	1,055	1,025
Construction in progress	116	241	402	341	518	582
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	28	27	4	4	32	31
Total net capital assets	$ 2,949	2,898	7,909	7,693	10,858	10,591

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

- Governmental capital assets increased $50.7 million primarily due to additions of new facilities and improvements to existing facilities. Significant additions and improvements were also made including acquisitions of parkland, upgrades to information technology equipment, pedestrian facility improvements, and street reconstructions across the City. The construction on the new Central Library was completed during the fiscal year.

- Business-type activities purchased, constructed or received capital asset contributions of $216.2 million. Asset additions included continued work on the airport terminal and apron expansion projects. Additionally, the Drainage Fund continued to acquire properties at risk of flooding in Onion Creek.

OTHER INFORMATION, continued

c -- Debt administration
At the end of the current fiscal year, the City reported $6.6 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds and other tax supported debt, net	$ 1,436	1,376	116	136	1,552	1,512
Commercial paper notes, net	--	--	146	130	146	130
Revenue bonds, net	--	--	4,881	4,579	4,881	4,579
Capital lease obligations	--	--	1	1	1	1
Total	$ 1,436	1,376	5,144	4,846	6,580	6,222

During fiscal year 2017, the City's total outstanding debt increased by $358.6 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 $60.3 million. The resulting net increase is a combination of the issuance of $185.6 million in new debt to be used primarily for facility improvements, streets and mobility, drainage improvements, watershed home buyouts, central library, parks and recreation, capital equipment, transportation projects, affordable housing and the Seaholm garage, offset by the refunding portion of the issuance of $63.6 million and debt payments during the year.

- Outstanding debt for business-type functions increased by $298.3 million. The City issued $101.6 of Electric Utility System separate lien revenue refunding bonds to refund separate lien debt, $20.4 million in Water and Wastewater System revenue bonds, $311.1 million in Water and Wastewater System separate lien revenue refunding bonds to refund separate lien debt and tax-exempt commercial paper, $315.0 million in Airport System revenue bonds, $29.1 million of Convention Center revenue refunding bonds to refund prior lien debt, all of which was offset by debt payments during the year and the cash defeasance of $19.7 million in Water and Wastewater separate lien revenue bonds.

OTHER INFORMATION, continued

During the year, Austin Energy separate lien revenue bonds received favorable bond rating upgrades from Moody's Investors Service and Standard & Poor's from A1 to Aa3 and AA- to AA, respectively. In addition, Convention Center revenue bonds and subordinate revenue bonds received positive bond rating upgrades from Standard & Poor's from AA- to AA and A to A+, respectively. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations; commercial paper ratings were unchanged in the current fiscal year. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2017 and 2016 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch, Inc.	
	2017	2016	2017	2016	2017	2016
General obligation bonds and other tax supported debt	Aaa	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 - prior lien	Aa1	Aa1	AA+	AA+	AA	AA
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	Aa3	A1	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)
Convention Center revenue bonds - subordinate	A1	A1	A+	A	NUR (1)	NUR (1)

(1) No underlying rating

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

Austin's diverse economic base and national reputation as a great place to work and live continues to attract new employers and talented individuals to the area. The Austin metro area is the fastest growing metro in the US for its size. Over the past 10 years, Austin's population has increased by approximately 26.8% or nearly 200,000 residents, with projections of the City surpassing the 1 million mark by the year 2020. Both the Austin and the Texas economies continue to expand at rates above the national economy. Job growth in the Austin MSA was ranked sixth along with several other cities when comparing activity in the top 50 metro areas per the US Bureau of Labor statistics. Austin added more than 27,300 net new jobs in 2017. The unemployment rate for the Austin-Round Rock MSA reached a low of 2.7%, while the state unemployment rate fell to 3.9% in 2017; the national unemployment was 4.1%.

The City's primary economic drivers which in the past have included the technology industry, business startups and growth of entrepreneurial business, and tourism, continue to diversify with the opening of the Dell Seton Medical Center. The medical center includes a medical school, teaching hospital, and innovation zone that is expected to foster health care research and development. All of these factors are expected to continue to generate job growth. All sectors of the real estate market continue to perform well. The Austin residential market experienced an increase in sales of 2.5% in 2017 over 2016, with housing in the downtown area growing in popularity. In 2017, sales tax revenue increased 2.9% over the previous year, compared to a 4.2% increase in 2016 and 7.7% increase in 2015, an indicator that the economy is slowing to more normal and sustainable levels. For 2018, the rate of growth in sales tax collections is expected to be 3%. Overall, the Austin economy is expected to continue to grow at a steady pace barring any events at the national or international level that would have an adverse impact.

OTHER INFORMATION, continued

The City's fiscal year 2018 budget was developed in a manner true to City Management's unwavering commitment to openness, transparency, and public engagement; a process that has been refined over time and centered this year on heightened levels of collaboration between the community, city staff, management, and the City Council. The overriding goal of the 2018 budget process was to align department budgets to Council's priorities with particular focus on the Council's six strategic outcomes for the City: Mobility, Economic Opportunity and Affordability, Safety, Health, Cultural and Learning Opportunities, and Government that Works. 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; the City had ratings upgrades for three separate debt instruments in 2017. City management continues to monitor the economy and take corrective actions when necessary to help mitigate any unfavorable economic events.

The taxable property values within the City increased by 11.2% in 2017 for fiscal year 2018. The property tax rate for fiscal year 2018 is 44.48 cents per $100 valuation, up from 44.18 cents per $100 valuation in 2017. The tax rate consists of 33.93 cents for the General Fund and 10.55 cents for debt service. Each 1 cent of the 2017 (fiscal year 2018) property tax rate is equivalent to $13,942,501 of tax levy, as compared to $12,371,655 in the previous year. Austin Energy's 2018 base rates also remain unchanged from the prior fiscal year due to a cost of service study that was completed and approved by the City Council in August 2016. For the past several years, Austin Water has been working to strengthen its financial position and reduce the need for annual rate increases; subsequently, the utility submitted its Fiscal Year 2018 budget with a zero percent rate increase.

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	$ 64	62	126	4,225
Pooled investments and cash	507,854	934,013	1,441,867	--
Pooled investments and cash - restricted	--	121,347	121,347	--
Total pooled investments and cash	507,854	1,055,360	1,563,214	--
Investments - restricted	23,694	157,207	180,901	--
Cash held by trustee	--	668	668	--
Cash held by trustee - restricted	9,724	475	10,199	--
Working capital advances	--	3,659	3,659	--
Property taxes receivable, net of allowance $4,980	11,595	--	11,595	--
Accounts receivable, net of allowance $301,629	100,244	221,464	321,708	3,910
Receivables from other governments	15,705	697	16,402	--
Receivables from other governments - restricted	--	5,978	5,978	--
Notes receivable, net of allowance of $14,968	24,117	--	24,117	--
Internal balances	(46,671)	46,671	--	--
Inventories, at cost	2,324	82,617	84,941	961
Real property held for resale	5,675	--	5,675	--
Regulatory assets, net of accumulated amortization	--	52,885	52,885	--
Prepaid expenses	1,025	17,518	18,543	628
Other receivables - restricted	--	3,754	3,754	--
Other assets	3,106	13,501	16,607	--
Total current assets	658,456	1,662,516	2,320,972	9,724
Noncurrent assets:				
Cash - restricted	--	4,951	4,951	3,000
Pooled investments and cash - restricted	156,174	808,580	964,754	--
Investments - restricted	--	311,624	311,624	63,717
Investments held by trustee - restricted	1,773	215,523	217,296	2,168
Cash held by trustee - restricted	1,823	--	1,823	353
Interest receivable - restricted	--	467	467	--
Depreciable capital assets, net	2,425,918	6,802,945	9,228,863	179,043
Nondepreciable capital assets	523,176	1,106,099	1,629,275	15,554
Derivative instruments - energy risk management	--	1,863	1,863	--
Regulatory assets, net of accumulated amortization	--	763,717	763,717	--
Other receivables - restricted	--	12,343	12,343	--
Other long-term assets	1,369	20,509	21,878	5,111
Total noncurrent assets	3,110,233	10,048,621	13,158,854	268,946
Total assets	3,768,689	11,711,137	15,479,826	278,670
DEFERRED OUTFLOWS OF RESOURCES	$ 359,842	342,671	702,513	16,669

(†) 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	$ 41,893	93,127	135,020	8,113
Accounts and retainage payable from restricted assets	21,996	54,413	76,409	--
Accrued payroll	32,321	18,068	50,389	267
Accrued compensated absences	61,301	26,060	87,361	--
Due to other governments	477	3,352	3,829	--
Claims payable	26,353	2,412	28,765	--
Accrued interest payable from restricted assets	10	118,713	118,723	7,712
Interest payable on other debt	8,688	872	9,560	--
Bonds payable	60,579	14,608	75,187	66,764
Bonds payable from restricted assets	23,765	132,272	156,037	--
Capital lease obligations payable	--	54	54	7
Customer and escrow deposits payable from restricted assets	71,479	52,634	124,113	--
Accrued landfill closure and postclosure costs	--	2,794	2,794	--
Decommissioning liability payable from restricted assets	--	6,662	6,662	--
Other liabilities	12,169	5,968	18,137	5,725
Other liabilities payable from restricted assets	--	861	861	--
Total current liabilities	361,031	532,870	893,901	88,588
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	78,364	287	78,651	--
Claims payable	22,743	221	22,964	--
Capital appreciation bond interest payable	--	26,661	26,661	--
Commercial paper notes payable, net of discount	--	146,097	146,097	--
Bonds payable, net of discount and inclusive of premium	1,351,684	4,849,878	6,201,562	229,955
Net pension liability	1,203,405	656,565	1,859,970	--
Other postemployment benefits payable	631,176	380,161	1,011,337	--
Capital lease obligations payable	--	935	935	--
Accrued landfill closure and postclosure costs	--	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	159,284	159,284	--
Derivative instruments - energy risk management	--	14,960	14,960	--
Derivative instruments - interest rate swaps	--	46,959	46,959	--
Other liabilities	18,547	33,714	52,261	--
Other liabilities payable from restricted assets	--	3,298	3,298	3,000
Total noncurrent liabilities	3,305,919	6,328,919	9,634,838	232,955
Total liabilities	3,666,950	6,861,789	10,528,739	321,543
DEFERRED INFLOWS OF RESOURCES	6,228	1,215,205	1,221,433	--
NET POSITION				
Net investment in capital assets	1,709,146	2,358,240	4,067,386	(60,485)
Restricted for:				
Bond reserve	--	45,130	45,130	--
Capital projects	48,467	246,856	295,323	1,000
Debt service	15,077	53,601	68,678	28,795
Housing activities	27,354	--	27,354	--
Operating reserve	--	57,102	57,102	--
Passenger facility charges	--	90,044	90,044	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,070	--	1,070	--
Renewal and replacement	--	23,298	23,298	--
Strategic reserve	--	186,718	186,718	--
Tourism	19,676	--	19,676	--
Other purposes	28,654	--	28,654	--
Unrestricted (deficit)	(1,394,092)	915,825	(478,267)	4,486
Total net position	$ 455,353	3,976,814	4,432,167	(26,204)

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

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

Statement of Activities
For the year ended September 30, 2017
(In thousands)

City of Austin, Texas
Exhibit A-2

		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	$ 192,231	21,345	454	7,223	(163,209)	--	(163,209)	--
Public safety	719,032	57,728	7,209	--	(654,095)	--	(654,095)	--
Transportation, planning, and sustainability	72,517	1,698	659	72,808	2,648	--	2,648	--
Public health	119,278	12,374	20,490	170	(86,244)	--	(86,244)	--
Public recreation and culture	161,226	11,251	1,805	9,994	(138,176)	--	(138,176)	--
Urban growth management	156,180	72,244	14,545	61	(69,330)	--	(69,330)	--
Interest on debt	61,879	--	--	--	(61,879)	--	(61,879)	--
Total governmental activities	1,482,343	176,640	45,162	90,256	(1,170,285)	--	(1,170,285)	--
Business-type activities								
Electric	1,277,623	1,362,132	34	43,981	--	128,524	128,524	--
Water	281,787	324,562	--	44,944	--	87,719	87,719	--
Wastewater	219,609	274,518	--	29,742	--	84,651	84,651	--
Airport	158,863	178,433	585	14,751	--	34,906	34,906	--
Convention	75,377	40,196	--	--	--	(35,181)	(35,181)	--
Environmental and health services	108,658	109,274	242	30	--	888	888	--
Public recreation	8,736	6,705	--	290	--	(1,741)	(1,741)	--
Urban growth management	183,532	204,439	--	3,726	--	24,633	24,633	--
Total business-type activities	2,314,185	2,500,259	861	137,464	--	324,399	324,399	--
Total primary government	$ 3,796,528	2,676,899	46,023	227,720	(1,170,285)	324,399	(845,886)	--
Component Units	89,609	95,753	--	--	--	--	--	6,144
General revenues:								
Property tax					554,631	--	554,631	--
Sales tax					218,790	--	218,790	--
Franchise fees and gross receipts tax					151,670	--	151,670	--
Interest and other					26,950	14,801	41,751	22
Transfers-internal activities					40,693	(40,693)	--	--
Total general revenues and transfers					992,734	(25,892)	966,842	22
Change in net position					(177,551)	298,507	120,956	6,166
Beginning net position, as previously reported					632,904	3,678,307	4,311,211	(32,370)
Ending net position					$ 455,353	3,976,814	4,432,167	(26,204)

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

Governmental Funds
Balance Sheet
September 30, 2017
(In thousands)

City of Austin, Texas
Exhibit B-1

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 53	--	53
Pooled investments and cash	170,879	335,784	506,663
Investments	--	23,694	23,694
Cash held by trustee - restricted	--	9,582	9,582
Investments held by trustee - restricted	--	1,773	1,773
Property taxes receivable, net of allowance	7,959	3,636	11,595
Accounts receivable, net of allowance	61,541	28,503	90,044
Receivables from other governments	1,589	12,029	13,618
Notes receivable, net of allowance	175	23,942	24,117
Due from other funds	--	11,443	11,443
Advances to other funds	--	19,096	19,096
Inventories, at cost	28	--	28
Real property held for resale	--	5,675	5,675
Prepaid items	699	--	699
Other assets	58	3,048	3,106
Total assets	242,981	478,205	721,186
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	21,458	24,184	45,642
Accrued payroll	26,126	123	26,249
Accrued compensated absences	462	--	462
Due to other funds	241	11,412	11,653
Due to other governments	465	9	474
Unearned revenue	--	2,973	2,973
Advances from other funds	654	18,266	18,920
Deposits and other liabilities	5,687	73,788	79,475
Total liabilities	55,093	130,755	185,848
DEFERRED INFLOWS OF RESOURCES	16,074	6,823	22,897
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	727	--	727
Permanent funds	--	1,070	1,070
Restricted	--	214,582	214,582
Committed	--	40,652	40,652
Assigned	29,618	109,692	139,310
Unassigned	141,469	(25,369)	116,100
Total fund balances	171,814	340,627	512,441
Total liabilities, deferred inflows of resources, and fund balances	$ 242,981	478,205	721,186

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

(In thousands)

Total fund balances - Governmental funds		$ 512,441
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	4,632,260	
Less: accumulated depreciation	(1,742,047)	
		2,890,213
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Other assets	1,369	
		1,369
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		
Pensions	337,178	
Loss on debt refundings	22,557	
		359,735
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Compensated absences	(130,035)	
Interest payable	(8,688)	
Bonds and other tax supported debt payable, net	(1,432,879)	
Net pension liability	(1,203,405)	
Other postemployment benefits payable	(631,176)	
Other liabilities	(15,317)	
		(3,421,500)
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.		
Unavailable revenue		
Property taxes and interest	11,777	
Accounts and other taxes receivable	11,121	
Deferred gain on service concession agreement	(1,173)	
Pensions	(5,055)	
		16,670
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.		96,425
Total net position - Governmental activities		$ 455,353

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 416,540	137,871	554,411
Sales taxes	218,790	--	218,790
Franchise fees and other taxes	47,645	104,025	151,670
Fines, forfeitures and penalties	13,117	4,511	17,628
Licenses, permits and inspections	61,076	374	61,450
Charges for services/goods	59,362	22,006	81,368
Intergovernmental	--	59,572	59,572
Property owners' participation and contributions	--	14,659	14,659
Interest and other	15,754	11,296	27,050
Total revenues	832,284	354,314	1,186,598
EXPENDITURES			
Current:			
General government	126,645	2,063	128,708
Public safety	585,250	8,156	593,406
Transportation, planning and sustainability	421	4,704	5,125
Public health	80,487	20,538	101,025
Public recreation and culture	112,728	13,871	126,599
Urban growth management	70,491	57,491	127,982
Debt service:			
Principal	--	87,367	87,367
Interest	--	61,862	61,862
Fees and commissions	--	13	13
Capital outlay-capital project funds	--	130,783	130,783
Total expenditures	976,022	386,848	1,362,870
Deficiency of revenues over expenditures	(143,738)	(32,534)	(176,272)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	130,665	130,665
Issuance of refunding bonds	--	54,970	54,970
Bond premiums	--	35,430	35,430
Payment to refunding bond escrow agent	--	(68,744)	(68,744)
Transfers in	166,688	55,852	222,540
Transfers out	(12,125)	(157,942)	(170,067)
Total other financing sources (uses)	154,563	50,231	204,794
Net change in fund balances	10,825	17,697	28,522
Fund balances at beginning of year	160,989	322,930	483,919
Fund balances at end of year	$ 171,814	340,627	512,441

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

(In thousands)

Net change in fund balances - Governmental funds		$	28,522
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	108,801		
Depreciation expense	(124,393)		
Loss on disposal of capital assets	(3,104)		
			(18,696)
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.			
Property taxes	220		
Charges for services	(1,524)		
Interest and other	179		
Capital asset contributions	66,755		
			65,630
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	(130,665)		
Principal repayment on long-term debt	87,367		
Issuance of refunding bonds	(54,970)		
Refunding bond premiums	(35,430)		
Payment to refunding bond escrow agent	68,744		
			(64,954)
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	(2,708)		
Pensions	(111,858)		
Other postemployment benefits	(93,336)		
Interest and other	12,820		
			(195,082)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.			7,029
Change in net position - Governmental activities		$	(177,551)

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

Proprietary Funds
Statement of Net Position
September 30, 2017
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
ASSETS			
Current assets:			
Cash	$ 22	5	3
Pooled investments and cash	398,583	187,932	7,514
Pooled investments and cash - restricted	36,904	52,101	19,172
Total pooled investments and cash	435,487	240,033	26,686
Investments - restricted	45,568	67,982	32,494
Cash held by trustee	--	668	--
Cash held by trustee - restricted	--	475	--
Working capital advances	3,659	--	--
Accounts receivable, net of allowance	125,605	70,370	5,462
Receivables from other governments	--	68	1
Receivables from other governments - restricted	5,022	--	867
Due from other funds	3,473	301	--
Inventories, at cost	76,326	1,937	1,835
Regulatory assets, net of accumulated amortization	4,821	48,064	--
Prepaid expenses	17,222	42	86
Other receivables - restricted	4	--	3,722
Other assets	12,377	--	1,124
Total current assets	729,586	429,945	72,280
Noncurrent assets:			
Cash - restricted	4,951	--	--
Pooled investments and cash - restricted	60,961	93,020	637,597
Advances to other funds	15,341	2,104	--
Advances to other funds - restricted	--	--	52
Investments - restricted	200,308	58,421	39,590
Investments held by trustee - restricted	213,923	1,600	--
Interest receivable - restricted	467	--	--
Depreciable capital assets, net	2,388,829	3,172,595	875,820
Nondepreciable capital assets	211,985	448,944	132,896
Derivative instruments - energy risk management	1,863	--	--
Regulatory assets, net of accumulated amortization	516,001	247,716	--
Other receivables - restricted	8,459	483	3,401
Other long-term assets	1,380	--	19,129
Total noncurrent assets	3,624,468	4,024,883	1,708,485
Total assets	4,354,054	4,454,828	1,780,765
DEFERRED OUTFLOWS OF RESOURCES	$ 114,289	118,244	40,621

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	32	62	11
Pooled investments and cash	339,984	934,013	152,918
Pooled investments and cash - restricted	13,170	121,347	--
Total pooled investments and cash	353,154	1,055,360	152,918
Investments - restricted	11,163	157,207	--
Cash held by trustee	--	668	--
Cash held by trustee - restricted	--	475	1,965
Working capital advances	--	3,659	--
Accounts receivable, net of allowance	20,027	221,464	10,200
Receivables from other governments	628	697	2,087
Receivables from other governments - restricted	89	5,978	--
Due from other funds	1,700	5,474	--
Inventories, at cost	2,519	82,617	2,296
Regulatory assets, net of accumulated amortization	--	52,885	--
Prepaid expenses	168	17,518	326
Other receivables - restricted	28	3,754	--
Other assets	--	13,501	--
Total current assets	389,508	1,621,319	169,803
Noncurrent assets:			
Cash - restricted	--	4,951	--
Pooled investments and cash - restricted	17,002	808,580	4,447
Advances to other funds	--	17,445	7
Advances to other funds - restricted	311	363	--
Investments - restricted	13,305	311,624	--
Investments held by trustee - restricted	--	215,523	--
Interest receivable - restricted	--	467	--
Depreciable capital assets, net	365,701	6,802,945	58,239
Nondepreciable capital assets	312,274	1,106,099	642
Derivative instruments - energy risk management	--	1,863	--
Regulatory assets, net of accumulated amortization	--	763,717	--
Other receivables - restricted	--	12,343	--
Other long-term assets	--	20,509	--
Total noncurrent assets	708,593	10,066,429	63,335
Total assets	1,098,101	11,687,748	233,138
DEFERRED OUTFLOWS OF RESOURCES	69,517	342,671	107

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2017
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 82,662	3,680	2,097
Accounts and retainage payable from restricted assets	10,839	18,831	19,759
Accrued payroll	7,323	3,810	1,361
Accrued compensated absences	10,570	5,632	2,194
Claims payable	2,060	351	1
Due to other funds	--	--	162
Due to other funds payable from restricted assets	--	3,101	--
Due to other governments	3,347	--	5
Accrued interest payable from restricted assets	23,275	82,842	11,697
Interest payable on other debt	211	106	--
Bonds payable	--	--	21
Bonds payable from restricted assets	35,086	60,487	23,744
Capital lease obligations payable	54	--	--
Customer and escrow deposits payable from restricted assets	30,241	14,483	1,351
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	6,662	--	--
Other liabilities	921	2,630	1,822
Other liabilities payable from restricted assets	473	--	--
Total current liabilities	213,724	195,953	64,214
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	2	--
Claims payable	10	211	--
Advances from other funds	--	680	506
Advances from other funds payable from restricted assets	--	13,926	--
Capital appreciation bond interest payable	691	25,970	--
Commercial paper notes payable, net of discount	146,097	--	--
Bonds payable, net of discount and inclusive of premium	1,261,092	2,507,406	857,654
Net pension liability	273,451	146,090	46,242
Other postemployment benefits payable	148,262	95,976	26,194
Capital lease obligations payable	935	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	159,284	--	--
Derivative instruments - energy risk management	14,960	--	--
Derivative instruments - interest rate swaps	--	15,509	21,535
Other liabilities	32,647	1,067	--
Other liabilities payable from restricted assets	3,298	--	--
Total noncurrent liabilities	2,040,727	2,806,837	952,131
Total liabilities	2,254,451	3,002,790	1,016,345
DEFERRED INFLOWS OF RESOURCES	$ 366,324	659,475	189,161

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

	Business-Type Activities Nonmajor Enterprise Funds	Business-Type Activities Total	Governmental Activities- Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	4,688	93,127	18,249
Accounts and retainage payable from restricted assets	4,984	54,413	--
Accrued payroll	5,574	18,068	6,072
Accrued compensated absences	7,664	26,060	9,003
Claims payable	--	2,412	26,353
Due to other funds	2,001	2,163	--
Due to other funds payable from restricted assets	--	3,101	--
Due to other governments	--	3,352	3
Accrued interest payable from restricted assets	899	118,713	10
Interest payable on other debt	555	872	--
Bonds payable	14,587	14,608	374
Bonds payable from restricted assets	12,955	132,272	--
Capital lease obligations payable	--	54	--
Customer and escrow deposits payable from restricted assets	6,559	52,634	1,758
Accrued landfill closure and postclosure costs	2,794	2,794	--
Decommissioning liability payable from restricted assets	--	6,662	--
Other liabilities	595	5,968	2,670
Other liabilities payable from restricted assets	388	861	--
Total current liabilities	64,243	538,134	64,492
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	285	287	165
Claims payable	--	221	22,743
Advances from other funds	2,879	4,065	--
Advances from other funds payable from restricted assets	--	13,926	--
Capital appreciation bond interest payable	--	26,661	--
Commercial paper notes payable, net of discount	--	146,097	--
Bonds payable, net of discount and inclusive of premium	223,726	4,849,878	2,775
Net pension liability	190,782	656,565	--
Other postemployment benefits payable	109,729	380,161	--
Capital lease obligations payable	--	935	--
Accrued landfill closure and postclosure costs	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	159,284	--
Derivative instruments - energy risk management	--	14,960	--
Derivative instruments - interest rate swaps	9,915	46,959	--
Other liabilities	--	33,714	--
Other liabilities payable from restricted assets	--	3,298	--
Total noncurrent liabilities	547,215	6,346,910	25,683
Total liabilities	611,458	6,885,044	90,175
DEFERRED INFLOWS OF RESOURCES	245	1,215,205	1

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

Proprietary Funds
Statement of Net Position
September 30, 2017
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
NET POSITION			
Net investment in capital assets	$ 987,437	562,673	359,464
Restricted for:			
Bond reserve	10,268	21,832	2,719
Capital projects	26,558	37,269	171,176
Debt service	22,292	--	20,849
Operating reserve	--	37,651	14,874
Passenger facility charges	--	--	90,044
Renewal and replacement	12,386	--	10,000
Strategic reserve	186,718	--	--
Unrestricted	601,909	251,382	(53,246)
Total net position	$ 1,847,568	910,807	615,880
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	20,138	11,557	4,055
Total net position - Business-type activities	$ 1,867,706	922,364	619,935

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	448,666	2,358,240	55,732
Restricted for:			
Bond reserve	10,311	45,130	--
Capital projects	11,853	246,856	4,447
Debt service	10,460	53,601	--
Operating reserve	4,577	57,102	--
Passenger facility charges	--	90,044	--
Renewal and replacement	912	23,298	--
Strategic reserve	--	186,718	--
Unrestricted	69,136	869,181	82,890
Total net position	555,915	3,930,170	143,069
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	10,894	46,644	
Total net position - Business-type activities	566,809	3,976,814	

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, 2017
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
OPERATING REVENUES			
Utility services	$ 1,362,132	599,080	--
User fees and rentals	--	--	149,333
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,362,132	599,080	149,333
OPERATING EXPENSES			
Operating expenses before depreciation	1,063,029	259,730	102,885
Depreciation and amortization	162,930	121,521	26,667
Total operating expenses	1,225,959	381,251	129,552
Operating income (loss)	136,173	217,829	19,781
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	6,771	2,172	3,907
Interest on revenue bonds and other debt	(59,261)	(104,589)	(30,058)
Interest capitalized during construction	--	--	1,893
Passenger facility charges	--	--	29,100
Cost (recovered) to be recovered in future years	15,228	(19,897)	--
Other nonoperating revenue (expense)	(12,922)	1,482	(1,859)
Total nonoperating revenues (expenses)	(50,184)	(120,832)	2,983
Income (loss) before contributions and transfers	85,989	96,997	22,764
Capital contributions	43,981	74,686	14,751
Transfers in	2,122	13	--
Transfers out	(115,582)	(51,215)	(33)
Change in net position	16,510	120,481	37,482
Total net position, beginning	1,831,058	790,326	578,398
Total net position, ending	$ 1,847,568	910,807	615,880
Reconciliation to government-wide Statement of Activities			
Change in net position	16,510	120,481	37,482
Adjustment to consolidate internal service activities	5,164	2,773	1,298
Change in net position - Business-type activities	$ 21,674	123,254	38,780

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	--	1,961,212	--
User fees and rentals	360,614	509,947	--
Billings to departments	--	--	435,349
Employee contributions	--	--	44,224
Operating revenues from other governments	--	--	4,410
Other operating revenues	--	--	13,307
Total operating revenues	360,614	2,471,159	497,290
OPERATING EXPENSES			
Operating expenses before depreciation	340,354	1,765,998	447,796
Depreciation and amortization	28,774	339,892	11,599
Total operating expenses	369,128	2,105,890	459,395
Operating income (loss)	(8,514)	365,269	37,895
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	1,951	14,801	19
Interest on revenue bonds and other debt	(9,288)	(203,196)	(136)
Interest capitalized during construction	1,003	2,896	--
Passenger facility charges	--	29,100	--
Cost (recovered) to be recovered in future years	--	(4,669)	--
Other nonoperating revenue (expense)	(6,464)	(19,763)	(6,483)
Total nonoperating revenues (expenses)	(12,798)	(180,831)	(6,600)
Income (loss) before contributions and transfers	(21,312)	184,438	31,295
Capital contributions	4,046	137,464	4,812
Transfers in	139,200	141,335	2,929
Transfers out	(10,053)	(176,883)	(19,854)
Change in net position	111,881	286,354	19,182
Total net position, beginning	444,034	3,643,816	123,887
Total net position, ending	555,915	3,930,170	143,069
Reconciliation to government-wide Statement of Activities			
Change in net position	111,881	286,354	
Adjustment to consolidate internal service activities	2,918	12,153	
Change in net position - Business-type activities	114,799	298,507	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2017
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,393,118	587,403	141,806
Cash received from other funds	30,641	8,671	--
Cash payments to suppliers for goods and services	(789,476)	(51,546)	(28,931)
Cash payments to other funds	(51,509)	(69,979)	(26,603)
Cash payments to employees for services	(204,609)	(108,576)	(39,106)
Cash payments to claimants/beneficiaries	(144)	(283)	--
Taxes collected and remitted to other governments	(41,880)	--	--
Net cash provided by operating activities	336,141	365,690	47,166
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	1,036	--	--
Transfers out	(115,495)	(46,905)	--
Collections from other sources	--	668	--
Loans to other funds	(459)	--	(1)
Loans from other funds	--	--	--
Loan repayments to other funds	--	(297)	(178)
Loan repayments from other funds	339	301	--
Collections from other governments	2,880	1,673	940
Net cash provided (used) by noncapital financing activities	(111,699)	(44,560)	761
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	58,351	82,830	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--
Proceeds from the sale of revenue bonds	--	20,430	314,965
Principal paid on long-term debt	(44,625)	(103,299)	(21,964)
Proceeds from the sale of capital assets	1,527	--	--
Interest paid on revenue bonds and other debt	(60,613)	(141,519)	(26,027)
Passenger facility charges	--	--	25,378
Acquisition and construction of capital assets	(159,586)	(148,355)	(116,503)
Contributions from state and federal governments	--	116	14,350
Contributions in aid of construction	43,981	29,948	401
Bond issuance costs	(983)	(2,246)	(2,545)
Bond premiums	12,320	62,394	44,459
Cash paid for bond defeasance	--	(21,317)	--
Bonds issued for advanced refundings of debt	101,570	311,100	--
Cash paid for bond refunding escrow	(114,060)	(249,582)	--
Cash paid to payoff commercial paper	--	(125,000)	--
Cash paid for nuclear fuel inventory	(13,671)	--	--
Net cash provided (used) by capital and related financing activities	$ (175,789)	(284,500)	232,514

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	356,747	2,479,074	58,265
Cash received from other funds	3,646	42,958	435,349
Cash payments to suppliers for goods and services	(76,545)	(946,498)	(75,708)
Cash payments to other funds	(66,086)	(214,177)	(24,052)
Cash payments to employees for services	(159,349)	(511,640)	(171,679)
Cash payments to claimants/beneficiaries	--	(427)	(171,635)
Taxes collected and remitted to other governments	--	(41,880)	--
Net cash provided by operating activities	58,413	807,410	50,540
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	128,310	129,346	2,370
Transfers out	(3,298)	(165,698)	(18,670)
Collections from other sources	--	668	--
Loans to other funds	(3)	(463)	--
Loans from other funds	118	118	--
Loan repayments to other funds	(333)	(808)	--
Loan repayments from other funds	94	734	--
Collections from other governments	810	6,303	--
Net cash provided (used) by noncapital financing activities	125,698	(29,800)	(16,300)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	141,181	--
Proceeds from the sale of general obligation bonds and other tax supported debt	(119)	(119)	--
Proceeds from the sale of revenue bonds	--	335,395	--
Principal paid on long-term debt	(26,871)	(196,759)	(485)
Proceeds from the sale of capital assets	--	1,527	--
Interest paid on revenue bonds and other debt	(9,856)	(238,015)	(154)
Passenger facility charges	--	25,378	--
Acquisition and construction of capital assets	(55,540)	(479,984)	(8,425)
Contributions from state and federal governments	30	14,496	--
Contributions in aid of construction	3,094	77,424	--
Bond issuance costs	(130)	(5,904)	--
Bond premiums	--	119,173	--
Cash paid for bond defeasance	--	(21,317)	--
Bonds issued for advanced refundings of debt	29,080	441,750	--
Cash paid for bond refunding escrow	(28,924)	(392,566)	--
Cash paid to payoff commercial paper	--	(125,000)	--
Cash paid for nuclear fuel inventory	--	(13,671)	--
Net cash provided (used) by capital and related financing activities	(89,236)	(317,011)	(9,064)

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2017
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (208,793)	(209,973)	(81,184)
Proceeds from sale and maturities of investment securities	213,719	248,753	49,301
Interest on investments	4,891	2,172	3,671
Net cash provided (used) by investing activities	9,817	40,952	(28,212)
Net increase (decrease) in cash and cash equivalents	58,470	77,582	252,229
Cash and cash equivalents, beginning	442,951	256,619	412,057
Cash and cash equivalents, ending	501,421	334,201	664,286
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	136,173	217,829	19,781
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	162,930	121,521	26,667
Change in assets and liabilities:			
Increase in working capital advances	(1,677)	--	--
(Increase) decrease in accounts receivable	19,264	(3,585)	(3,215)
Increase (decrease) in allowance for doubtful accounts	213	(824)	191
Increase in receivables from other governments	--	--	--
Decrease in due from other funds	--	--	--
(Increase) decrease in inventory	3,183	404	(20)
(Increase) decrease in prepaid expenses and other assets	6,948	(20)	(57)
Increase in deferred outflows related to operations	17,485	9,479	2,513
Decrease in advances to other funds	--	--	--
Decrease in other long-term assets	18,450	--	--
Increase (decrease) in accounts payable	10,472	(734)	(387)
Increase in accrued payroll and compensated absences	1,063	429	424
Increase (decrease) in claims payable	2,070	562	--
Decrease in due to other governments	--	--	--
Decrease in due to other funds	--	--	--
Increase in net pension liability	7,093	3,933	1,974
Increase in other postemployment benefits payable	19,847	12,726	4,259
Increase (decrease) in other liabilities	(26,518)	2,567	(461)
Increase in customer deposits	727	1,403	591
Decrease in deferred inflows related to operations	(41,582)	--	(5,094)
Total adjustments	199,968	147,861	27,385
Net cash provided by operating activities	$ 336,141	365,690	47,166

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	**Total**	**Activities- Internal Service Funds**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(18,747)	(518,697)	--
Proceeds from sale and maturities of investment securities	18,262	530,035	--
Interest on investments	1,951	12,685	20
Net cash provided (used) by investing activities	1,466	24,023	20
Net increase (decrease) in cash and cash equivalents	96,341	484,622	25,196
Cash and cash equivalents, beginning	273,847	1,385,474	134,145
Cash and cash equivalents, ending	370,188	1,870,096	159,341
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(8,514)	365,269	37,895
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	28,774	339,892	11,599
Change in assets and liabilities:			
Increase in working capital advances	--	(1,677)	--
(Increase) decrease in accounts receivable	(539)	11,925	(958)
Increase (decrease) in allowance for doubtful accounts	(328)	(748)	--
Increase in receivables from other governments	--	--	(1,747)
Decrease in due from other funds	--	--	1,005
(Increase) decrease in inventory	526	4,093	(459)
(Increase) decrease in prepaid expenses and other assets	(48)	6,823	216
Increase in deferred outflows related to operations	10,541	40,018	24
Decrease in advances to other funds	--	--	35
Decrease in other long-term assets	--	18,450	--
Increase (decrease) in accounts payable	(907)	8,444	1,823
Increase in accrued payroll and compensated absences	1,298	3,214	666
Increase (decrease) in claims payable	--	2,632	(242)
Decrease in due to other governments	--	--	(1)
Decrease in due to other funds	--	--	(1,005)
Increase in net pension liability	8,720	21,720	--
Increase in other postemployment benefits payable	17,585	54,417	--
Increase (decrease) in other liabilities	657	(23,755)	214
Increase in customer deposits	648	3,369	1,475
Decrease in deferred inflows related to operations	--	(46,676)	--
Total adjustments	66,927	442,141	12,645
Net cash provided by operating activities	58,413	807,410	50,540

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2017
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	$ (260)	(7,644)	--
Capital assets contributed from other funds	--	104	--
Capital assets contributed to other funds	(160)	--	--
Capital assets acquired through service concession arrangements	--	--	27,490
Contributed facilities	--	44,518	--
Increase in the fair value of investments	(3,006)	--	--
Amortization of bond (discounts) premiums	6,783	15,255	2,617
Amortization of deferred gain (loss) on refundings	(5,332)	(5,575)	(890)
Gain (loss) on disposal of assets	(8,051)	(14)	(33)
Costs (recovered) to be recovered	15,228	(19,897)	--
Transfers from other funds	1,086	13	--
Transfers to other funds	(87)	(4,310)	(33)
Capitalized interest	--	--	1,893

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	--	(7,904)	--
Capital assets contributed from other funds	922	1,026	11,587
Capital assets contributed to other funds	(6,011)	(6,171)	(399)
Capital assets acquired through service concession arrangements	--	27,490	--
Contributed facilities	--	44,518	--
Increase in the fair value of investments	--	(3,006)	--
Amortization of bond (discounts) premiums	1,823	26,478	41
Amortization of deferred gain (loss) on refundings	(1,849)	(13,646)	(24)
Gain (loss) on disposal of assets	(828)	(8,926)	(22)
Costs (recovered) to be recovered	--	(4,669)	--
Transfers from other funds	10,890	11,989	559
Transfers to other funds	(6,755)	(11,185)	(1,184)
Capitalized interest	1,003	2,896	--

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

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 2,085	2,098
Investments held by trustee	--	3,863
Other assets	200	--
Total assets	2,285	5,961
LIABILITIES		
Accounts payable	--	55
Due to other governments	--	1,469
Deposits and other liabilities	1,469	4,437
Total liabilities	1,469	5,961
NET POSITION		
Held in trust	816	
Total net position	$ 816	

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

		Private-Purpose Trust
ADDITIONS		
Contributions	$	1,744
Interest and other		15
Total additions		1,759
DEDUCTIONS		
Benefit payments		1,655
Total deductions		1,655
Net additions (deductions)		104
Total net position, beginning		712
Total net position, ending	$	816

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 non-major enterprise activities including convention, environmental and health services, public recreation, and urban growth management activities. These activities are included in the accompanying financial statements.

The City of Austin's charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 74, No. 76 through No. 80, and No. 82. In fiscal year 2017, the City implemented the following GASB Statements:

GASB Statement	Impact
74 – *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*	This statement is directed at administrators of stand-alone postemployment benefit plans and as such does not apply to the City. The companion statement, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is effective for the City in fiscal year 2018. The City is assessing the impact of GASB Statement No. 75 on its financial report.
77 – *"Tax Abatement Disclosures"*	This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments that result in a reduction of revenue. This statement requires additional information be disclosed in the notes to the financial statements. See Note 13.
78 – *"Pensions Provided through Certain Multiple-Employer Defined Benefit Plans"*	This statement does not apply to the City as this statement is directed at multiple-employer plans. The City's pension plans are single-employer plans.
80 – "*Blending Requirements for Certain Component Units"*	This statement amends the blending requirements of component units by adding an additional criterion requiring blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of this standard had no impact on amounts reported in the financial statements.

The more significant accounting and reporting policies and practices used by the City are described below.

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

a -- Reporting Entity

These financial statements present the City's primary government, its component units, and other entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discrete component units are legally separate entities that are not considered part of the City's operations; therefore, data from these units are shown separately from data of the City.

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

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*
The 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: Housing Assistance Fund, a nonmajor special revenue fund
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.

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) 2716 Spirit of Texas Drive 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.
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. City Council appoints a voting majority of the board of directors of the WCLGC and maintains a contractual ability to remove board members at will. 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.

b -- Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net 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.

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

The accounts of the City are organized on the basis of funds. The fund level statements focus on the governmental, proprietary, and fiduciary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by GAAP. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into nonmajor governmental, nonmajor enterprise, or internal service fund groupings. A reconciliation of the fund financial statements to the government-wide statements is provided in the financial statements to explain the differences between the two different reporting approaches.

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

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

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, development permits and inspections, building safety permits and inspections, public health charges, emergency medical service charges, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, 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; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management.

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

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

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

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

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

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

Annual budgets are legally adopted for the General Fund, certain special revenue funds, and debt service funds. 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 fund and department of the City. The City Council approves amendments to the budget and transfers of appropriations from one fund and department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

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 -- Certain investments are required to be reported at fair value. 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, 2017 (in thousands):

Governmental activities	**General Fund**	**Nonmajor Governmental Funds**	**Internal Service Funds**	**Total**
Charges for Services	$ 282,504	658	10,200	293,362
Fines	18,510	81	--	18,591
Taxes	46,584	22,332	--	68,916
Other Governments	--	3,988	--	3,988
Other	--	2,708	--	2,708
Allowance for doubtful accounts	(286,057)	(1,264)	--	(287,321)
Total	$ 61,541	28,503	10,200	100,244

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

	Austin Energy	**Austin Water**	**Airport**	**Nonmajor enterprise**	**Total**
Accounts Receivable	$ 134,068	72,808	7,260	21,636	235,772
Allowance for doubtful accounts	(8,463)	(2,438)	(1,798)	(1,609)	(14,308)
Total	$ 125,605	70,370	5,462	20,027	221,464

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	Average cost; postage first-in, first-out
Austin Energy	
Fuel oil	Last-in, first-out
Other inventories	Average cost
All others	Average cost

Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued. Inventories reported in the General Fund 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 Utility 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 in the enterprise funds are as follows (in thousands):

	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 45,517	93,853	512,644	16,921	668,935
Customer and escrow deposits	30,241	14,926	1,351	6,257	52,775
Debt service	45,568	67,982	67,601	11,474	192,625
Environmental and landfill	--	--	--	81	81
Federal grants	11,431	--	868	89	12,388
Operating reserve account	--	37,651	14,874	5,712	58,237
Passenger facility charge account	--	--	90,044	--	90,044
Plant decommissioning	220,391	--	--	--	220,391
Renewal and replacement account	12,386	--	10,000	1,229	23,615
Revenue bond reserve	24,315	59,670	39,513	13,305	136,803
Strategic reserve	186,718	--	--	--	186,718
	$ 576,567	274,082	736,895	55,068	1,642,612

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. 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.

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

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

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 (1)**	**Austin Energy**	**Austin Water Utility**	**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	--	(2)	--	--	--
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds
(2) 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.

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 $17.8 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

Regulatory Assets -- In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are recorded as assets and amortized over future periods if they are intended to be recovered through future rates. These expenses include unrealized gain/loss on investments, debt issuance costs, pension, other postemployment benefits, interest, decommissioning, and pass-through rates, such as the Power Supply Adjustment charge, Community Benefit charge, and Regulatory charge. Regulatory Assets will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If regulatory assets are not recoverable in future rates, the regulatory asset will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues and expenses.

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

Deferred Outflows (Inflows) of Resources -- Deferred outflows of resources represent the consumption of net position that are applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net position that have a negative effect on net position, similar to liabilities.

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

		Deferred Outflows		Deferred Inflows	
Activities	**Category and explanation**	**Governmental Activities**	**Business-type Activities**	**Governmental Activities**	**Business-type Activities**
Derivative instruments	**Deferred outflows or inflows.** 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.	$ --	61,919	--	1,863
Gain/loss on debt refundings	**Deferred outflows or inflows.** 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.	22,664	105,607	--	245
Regulated operations	**Deferred inflows.** 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.	--	--	--	1,023,936
Service concession arrangements	**Deferred inflows**. 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.	--	--	1,174	189,161
Pensions	**Deferred outflows or inflows.** Differences between estimated and actual investment earnings, changes in actuarial assumptions, and differences between projected and actual actuarial experience 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.	337,178	175,145	5,054	--
	Total	$ 359,842	342,671	6,228	1,215,205

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues ($22.8 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 applicable business-type activity columns of the government-wide statements and in the proprietary activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability 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.

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

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	270
	48	N/A	N/A	N/A	309
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	206
	42	160	N/A	N/A	206
	48	160	N/A	N/A	206
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	1,400	720	720
	42	N/A	N/A	N/A	756
	48	N/A	N/A	N/A	864
	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 12 years of actual service are eligible for accumulated sick leave payout. As of January 1, 2011, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.
(3) 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, 2017, the City's total actuarial accrued liability for these retiree benefits was approximately $2.0 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

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

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

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

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

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt 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 Utility recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

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

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

Landfill Closure and Postclosure Care Costs -- Municipal solid waste landfill costs and the liability for landfill closure and postclosure costs are reported in Austin Resource Recovery, a nonmajor enterprise fund.

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

	Bad Debt Expense
Austin Energy	$ 4,862
Austin Water Utility	815
Airport	191
Nonmajor Enterprise	886

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, 2017. The amount of unbilled revenue recorded, as of September 30, 2017, was $27.8 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2017. The amount of unbilled revenue reported in accounts receivable as of September 30, 2017 was $17.1 million for water and $14.4 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	$ 1,035
Nonmajor Enterprise	2,574

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.

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

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 $58,000 in fiscal year 2017 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):

		Nonmajor Governmental				
	General Fund	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Nonspendable						
Inventory	$ 28	--	--	--	--	28
Prepaid items	699	--	--	--	--	699
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	727	--	--	--	1,070	1,797
Restricted						
Municipal court services	--	2,173	--	--	--	2,173
Police special purpose	--	7,714	--	--	--	7,714
Fire special purpose	--	49	--	--	--	49
Transportation, planning, and sustainability	--	218	--	--	--	218
Public health services	--	241	--	--	--	241
Parks services	--	2,111	--	--	--	2,111
Library services	--	1,930	--	--	1	1,931
Tourism programs	--	19,676	--	--	--	19,676
Affordable housing programs	--	32,321	--	--	--	32,321
Urban growth programs	--	9,251	--	--	--	9,251
Capital construction	--	--	--	114,310	--	114,310
Debt service	--	--	24,587	--	--	24,587
Total Restricted	--	75,684	24,587	114,310	1	214,582
Committed						
Parks services	--	5,673	--	--	--	5,673
Affordable housing programs	--	738	--	--	--	738
Urban growth programs	--	34,241	--	--	--	34,241
Total Committed	--	40,652	--	--	--	40,652
Assigned						
General government services	177	--	--	--	--	177
Municipal court services	391	--	--	--	--	391
Police special purpose	5,627	39	--	--	--	5,666
Fire special purpose	619	--	--	--	--	619
EMS special purpose	2,172	--	--	--	--	2,172
Transportation, planning, and sustainability	61	10	--	--	--	71
Public health services	5,699	32	--	--	--	5,731
Parks services	543	156	--	--	--	699
Library services	698	6	--	--	--	704
Tourism programs	--	98	--	--	--	98
Affordable housing programs	205	4,344	--	--	--	4,549
Urban growth programs	13,426	6,241	--	--	--	19,667
Capital construction	--	--	--	98,766	--	98,766
Total Assigned	29,618	10,926	--	98,766	--	139,310
Unassigned	141,469	(2,542)	--	(22,827)	--	116,100
Total Fund Balance	$ 171,814	124,720	24,587	190,249	1,071	512,441

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

Budget stabilization -- By formal action of City Council, the General Fund maintains two reserve funds: an emergency reserve and a budget stabilization reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2017, the emergency reserve maintains a balance of six percent of total General Fund requirements, or $58.2 million, and the budget stabilization reserve reports a balance of $76 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.

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

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

g -- Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures/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, 2017 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	**Restricted**
General Fund	$ 170,879	--
Nonmajor governmental funds	335,784	--
Austin Energy	398,583	97,865
Austin Water Utility	187,932	145,121
Airport	7,514	656,769
Nonmajor enterprise funds	339,984	30,172
Internal service funds	152,918	4,447
Fiduciary funds	4,183	--
Subtotal pooled investments and cash	1,597,777	934,374
Total pooled investments and cash	$ 2,532,151	

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), Assistant Treasurer over Investment Management, Assistant Treasurer over Debt Management, the City Controller, a public sector investment expert, a Financial Advisor's representative, a representative from Austin Energy, a representative from the Austin Water Utility, 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.

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 270 days or less from the date of its issuance that is either rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by 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 2017.

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 Lone Star (collectively referred to as the LGIPs). The State Comptroller oversees TexPool/Texpool Prime, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors. First Public, LLC serves as the administrator of Lone Star under an agreement with Lone Star's board of directors.

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

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, 2017, TexPool, Texpool Prime, TexasDAILY, TexStar, and Lone Star had a weighted average maturity of 37 days, 51 days, 35.6 days, 27 days, and 21 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, TexasDAILY and Lone Star opted to report at amortized cost, while TexStar 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.

The City has the following recurring fair value measurements as of September 30, 2017:

- U.S. Treasury securities of $377 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 $1.5 billion 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, 2017, the City presented Money Market Funds of $68.5 million, LGIPs of $1,014 million valued using amortized cost, and LGIP's of $251 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2017 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 23,694	310,024	--	333,718
Money Market Funds	1,773	62,833	3,863	68,469
US Treasury Notes	--	17,984	--	17,984
US Agency Bonds	--	293,513	--	293,513
Total non-pooled investments	25,467	684,354	3,863	713,684
Pooled investments:				
Local Government Investment Pools	244,263	685,651	1,539	931,453
US Treasury Notes	94,171	264,341	593	359,105
US Agency Bonds	321,451	902,293	2,051	1,225,795
Total pooled investments	659,885	1,852,285	4,183	2,516,353
Total investments	$ 685,352	2,536,639	8,046	3,230,037

Concentration of Credit Risk

At September 30, 2017, 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 ($433.7 or 13%), Federal Home Loan Bank ($353.8 or 11%), Federal Home Loan Mortgage Corporation ($378.7 or 12%), and Federal National Mortgage Association ($353.1 or 11%).

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

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.

b -- Investment Categories

As of September 30, 2017, 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	$ 244,263	685,651	1,539	931,453	1
US Treasury Notes	94,171	264,341	593	359,105	259
US Agency Bonds	321,451	902,293	2,051	1,225,795	491
Total Operating funds	659,885	1,852,285	4,183	2,516,353	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	23,694	--	--	23,694	1
Utility (1)					
Local Government Investment Pools	--	113,549	--	113,549	1
Airport					
Local Government Investment Pools	--	32,494	--	32,494	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	11,163	--	11,163	1
Total Debt service funds	23,694	157,206	--	180,900	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	--	41,394	--	41,394	1
Money Market Funds	--	1,214	--	1,214	1
Airport					
Local Government Investment Pools	--	39,513	--	39,513	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	13,305	--	13,305	1
Total Debt service reserve funds	--	95,426	--	95,426	
Special projects/purpose funds					
Austin Energy Strategic Reserve					
Local Government Investment Pools	--	31,233	--	31,233	1
US Treasury Notes	--	--	--	--	
US Agency Bonds	--	158,805	--	158,805	927
Total Austin Energy Strategic Reserve	--	190,038	--	190,038	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	--	61,232	--	61,232	1
US Treasury Notes	--	17,984	--	17,984	526
US Agency Bonds	--	134,708	--	134,708	598
Total Austin Energy NDTF	--	213,924	--	213,924	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	27,296	--	27,296	1
Special Projects - Airport Construction					
Local Government Investment Pools	--	77	--	77	1
Special Purpose Funds - Investments Held by Trustee					
Money Market Funds	1,773	387	3,863	6,023	1
Total Special projects/purpose funds	1,773	431,722	3,863	437,358	
Total funds	**$ 685,352**	**2,536,639**	**8,046**	**3,230,037**	

(1) Includes combined pledge debt service

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

Credit Risk

At September 30, 2017, 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.

Concentration of Credit Risk

Operating Funds
At September 30, 2017, 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 ($418.8 or 17%), Federal Home Loan Bank ($279.2 or 11%), Federal Home Loan Mortgage Corporation ($298.9 or 12%), and Federal National Mortgage Association ($228.8 or 9%).

Special Projects or Special Purpose Funds
At September 30, 2017, 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 ($14.9 or 8%), Federal Home Loan Bank ($34.8 or 18%), Federal Home Loan Mortgage Corporation ($44.9 or 24%), and Federal National Mortgage Association ($64.2 or 34%).

At September 30, 2017, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($39.7 or 19%), Federal Home Loan Mortgage Corporation ($34.9 or 16%), Federal National Mortgage Association ($60.1 or 28%).

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, 2017, 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 277 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, 2017, 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 775 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, 2017, the dollar weighted average maturity was 421 days.

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

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.

c -- Investment and Deposits

Investments and deposits portfolio balances at September 30, 2017, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 37,078	690,510	3,863	731,451
Pooled investments and cash	661,206	1,855,994	4,183	2,521,383
Total investments and cash	698,284	2,546,504	8,046	3,252,834
Unrestricted cash	64	730	--	794
Restricted cash	11,547	5,426	--	16,973
Pooled investments and cash	661,206	1,855,994	4,183	2,521,383
Investments	25,467	684,354	3,863	713,684
Total	$ 698,284	2,546,504	8,046	3,252,834

A difference of $10.8 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

Deposits
The September 30, 2017 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 64	62	126
Restricted	--	4,951	4,951
Cash held by trustee			
Unrestricted	--	668	668
Restricted	11,547	475	12,022
Pooled cash	1,321	3,709	5,030
Total deposits	$ 12,932	9,865	22,797

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, 2017.

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, 2016, upon which the 2017 levy was based, was $125,371,654,656

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2017, 99.50% of the current tax levy (October 1, 2016) 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%.

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, 2017, was $0.3399 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, 2017 was $0.1019 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $0.6601 per $100 assessed valuation, and could levy approximately $82,757,829,238 in additional taxes from the assessed valuation of $125,371,654,656 before the legislative limit is reached.

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

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 887,946	125,941	(29)	1,013,858
Plant and equipment	259,566	11,993	(6,701)	264,858
Vehicles	135,121	13,432	(6,928)	141,625
Infrastructure	2,693,713	154,485	--	2,848,198
Total depreciable capital assets	3,976,346	305,851	(13,658)	4,268,539
Less accumulated depreciation for				
Building and improvements	(336,626)	(25,965)	11	(362,580)
Plant and equipment	(185,325)	(20,708)	6,010	(200,023)
Vehicles	(85,556)	(11,181)	6,771	(89,966)
Infrastructure	(1,111,913)	(78,139)	--	(1,190,052)
Total accumulated depreciation	(1,719,420)	(135,993) (2)	12,792	(1,842,621)
Depreciable capital assets, net	2,256,926	169,858	(866)	2,425,918
Nondepreciable capital assets				
Land and improvements	373,974	8,256	(3,069)	379,161
Arts and treasures	9,357	845	--	10,202
Library collections	17,610	557	--	18,167
Construction in progress	240,575	113,383	(238,312)	115,646
Total nondepreciable assets	641,516	123,041	(241,381)	523,176
Total capital assets	$ 2,898,442	292,899	(242,247)	2,949,094

(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	$ 6,238
Public safety	14,909
Transportation, planning and sustainability	60,520
Public health	1,570
Public recreation and culture	17,329
Urban growth management	23,828
Internal service funds	11,599
Total increases in accumulated depreciation/amortization	$ 135,993

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 2,502,842	197,421	--	2,700,263
Plant and equipment	3,792,162	130,848	(5,544)	3,917,466
Vehicles	213,653	13,350	(6,146)	220,857
Electric plant	4,804,559	130,936	(16,124)	4,919,371
Non-electric plant	215,306	6,110	(183)	221,233
Nuclear fuel	362,713	13,672	--	376,385
Water rights	100,000	--	--	100,000
Total depreciable capital assets	11,991,235	492,337	(27,997)	12,455,575
Less accumulated depreciation/amortization for				
Building and improvements	(726,981)	(57,839)	2	(784,818)
Plant and equipment	(1,471,191)	(102,618)	3,836	(1,569,973)
Vehicles	(132,617)	(17,400)	4,978	(145,039)
Electric plant	(2,582,528)	(151,942)	13,157	(2,721,313)
Non-electric plant	(71,087)	(9,106)	65	(80,128)
Nuclear fuel	(316,092)	(17,489)	--	(333,581)
Water rights	(16,791)	(987)	--	(17,778)
Total accumulated depreciation/amortization	(5,317,287)	(357,381) (2)	22,038	(5,652,630)
Depreciable capital assets, net	6,673,948	134,956	(5,959)	6,802,945
Nondepreciable capital assets				
Land and improvements	650,508	25,723	(74)	676,157
Arts and treasures	4,081	17	--	4,098
Construction in progress	341,154	501,410	(439,835)	402,729
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	1,018,858	527,150	(439,909)	1,106,099
Total capital assets	$ 7,692,806	662,106	(445,868)	7,909,044

(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	$ 180,419
Water	62,047
Wastewater	59,474
Airport	26,667
Convention	9,071
Environmental and health services	8,794
Public recreation	804
Urban growth management	10,105
Total increases in accumulated depreciation/amortization	$ 357,381

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	$ 32,617	1,596	(1,061)	33,152
Electric plant	4,804,559	130,936	(16,124)	4,919,371
Non-electric plant	215,306	6,110	(183)	221,233
Nuclear fuel	362,713	13,672	--	376,385
Total depreciable capital assets	5,415,195	152,314	(17,368)	5,550,141
Less accumulated depreciation/amortization for				
Vehicles	(25,234)	(1,882)	826	(26,290)
Electric plant	(2,582,528)	(151,942)	13,157	(2,721,313)
Non-electric plant	(71,087)	(9,106)	65	(80,128)
Nuclear fuel	(316,092)	(17,489)	--	(333,581)
Total accumulated depreciation/amortization	(2,994,941)	(180,419) (1)	14,048	(3,161,312)
Depreciable capital assets, net	2,420,254	(28,105)	(3,320)	2,388,829
Nondepreciable capital assets				
Land and improvements	64,511	229	--	64,740
Plant held for future use	23,115	--	--	23,115
Construction in progress	102,073	165,913	(143,856)	124,130
Total nondepreciable assets	189,699	166,142	(143,856)	211,985
Total capital assets	$ 2,609,953	138,037	(147,176)	2,600,814

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 162,930
Current year amortization included in operating expense	17,489
Total increases in accumulated depreciation/amortization	$ 180,419

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,181,887	9,140	--	1,191,027
Plant and equipment	3,559,760	106,024	(1,335)	3,664,449
Vehicles	40,702	2,923	(1,042)	42,583
Water rights	100,000	--	--	100,000
Total depreciable capital assets	4,882,349	118,087	(2,377)	4,998,059
Less accumulated depreciation/amortization for				
Building and improvements	(279,515)	(25,552)	--	(305,067)
Plant and equipment	(1,377,313)	(92,590)	75	(1,469,828)
Vehicles	(31,348)	(2,392)	949	(32,791)
Water rights	(16,791)	(987)	--	(17,778)
Total accumulated depreciation/amortization	(1,704,967)	(121,521) (1)	1,024	(1,825,464)
Depreciable capital assets, net	3,177,382	(3,434)	(1,353)	3,172,595
Nondepreciable capital assets				
Land and improvements	230,923	447	(10)	231,360
Arts and treasures	103	8	--	111
Construction in progress	140,415	149,953	(72,895)	217,473
Total nondepreciable assets	371,441	150,408	(72,905)	448,944
Total capital assets	$ 3,548,823	146,974	(74,258)	3,621,539

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	$ 61,060
Wastewater	59,474
Current year amortization	
Water	987
Total increases in accumulated depreciation/amortization	$ 121,521

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 984,905	181,652	--	1,166,557
Plant and equipment	29,256	7,114	(33)	36,337
Vehicles	14,385	1,391	(355)	15,421
Total depreciable capital assets	1,028,546	190,157	(388)	1,218,315
Less accumulated depreciation for				
Building and improvements	(293,086)	(23,407)	--	(316,493)
Plant and equipment	(15,770)	(1,742)	25	(17,487)
Vehicles	(7,295)	(1,518)	298	(8,515)
Total accumulated depreciation	(316,151)	(26,667) (1)	323	(342,495)
Depreciable capital assets, net	712,395	163,490	(65)	875,820
Nondepreciable capital assets				
Land and improvements	96,381	--	--	96,381
Arts and treasures	3,366	9	--	3,375
Construction in progress	66,194	129,545	(162,599)	33,140
Total nondepreciable assets	165,941	129,554	(162,599)	132,896
Total capital assets	$ 878,336	293,044	(162,664)	1,008,716

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 26,667

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 336,050	6,629	--	342,679
Plant and equipment	203,146	17,710	(4,176)	216,680
Vehicles	125,949	7,440	(3,688)	129,701
Total depreciable capital assets	665,145	31,779	(7,864)	689,060
Less accumulated depreciation for				
Building and improvements	(154,380)	(8,880)	2	(163,258)
Plant and equipment	(78,108)	(8,286)	3,736	(82,658)
Vehicles	(68,740)	(11,608)	2,905	(77,443)
Total accumulated depreciation	(301,228)	(28,774) (2)	6,643	(323,359)
Depreciable capital assets, net	363,917	3,005	(1,221)	365,701
Nondepreciable capital assets				
Land and improvements	258,693	25,047	(64)	283,676
Arts and treasures	612	--	--	612
Construction in progress	32,472	55,999	(60,485)	27,986
Total nondepreciable assets	291,777	81,046	(60,549)	312,274
Total capital assets	$ 655,694	84,051	(61,770)	677,975

(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	$ 9,071
Environmental and health services	8,794
Public recreation	804
Urban growth management	10,105
Total increases in accumulated depreciation/amortization	$ 28,774

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Capitalized Interest

The City has recorded capitalized interest for fiscal year 2017 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Enterprise Funds		
Major fund:		
Airport	$	1,893
Nonmajor enterprise funds:		
Convention Center		160
Drainage		843

Interest is not capitalized on governmental capital assets. In accordance with accounting for regulated operations, interest is also not capitalized for Austin Energy or Austin Water Utility capital assets.

Service Concession Arrangements

The City has recorded net capital assets of $172.8 million, other assets of $21.1 and deferred inflows of $169.2 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.

The City entered into an agreement with the Young Men's Christian Association (YMCA) in 2010 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.

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, 2017, the unamortized balance was $12.1 million and is presented in other assets and deferred inflows of resources. 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 $152.4 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.

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 5 years is $5,000. The present value of the future payments was $9.2 million at lease inception. As of September 30, 2017, the unamortized balance was $8.9 million and is presented in other assets and deferred inflows of resources. Construction costs totaled $26.5 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.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

As of September 30, 2017, 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	--	1,457	58	1,515	822
YMCA Northeast Recreation Center	1,333	--	127	32	159	1,174
Total Governmental Activities	3,670	--	1,584	90	1,674	1,996
Business-type Activities:						
CONRAC facility	151,565	931	5,052	2,572	7,624	144,872
Bark and Zoom facility	--	26,558	--	664	664	25,894
Total Business-type Activities	151,565	27,489	5,052	3,236	8,288	170,766

	Beginning Deferred Inflows	Current year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:						
Umlauf Sculpture Garden	397	--	1,940	78	2,018	319
YMCA Northeast Recreation Center	921	--	412	66	478	855
Total Governmental Activities	1,318	--	2,352	144	2,496	1,174
Business-type Activities:						
CONRAC facility	146,513	931	5,052	5,083	10,135	142,361
CONRAC base rent agreement	12,605	--	436	435	871	12,170
Bark and Zoom facility	--	26,558	--	885	885	25,673
Bark and Zoom base rent agreement	--	9,264	--	307	307	8,957
Total Business-type Activities	$ 159,118	36,753	5,488	6,710	12,198	189,161

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

Payments on bonds for governmental activities will be made from the general obligation debt service funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, and internal service funds. Claims payable will be liquidated by internal service funds. 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, 2017, were as follows (in thousands):

Description	October 1, 2016	Increases	Decreases	September 30, 2017	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 1,108,558	133,078	(131,870)	1,109,766	60,206
Certificates of obligation, net	166,201	62,743	(14,550)	214,394	7,703
Contractual obligations, net	101,012	25,244	(14,388)	111,868	16,435
Debt service requirements total	1,375,771	221,065	(160,808)	1,436,028	84,344
Other long-term obligations					
Accrued compensated absences	136,682	3,239	(256)	139,665	61,301
Claims payable	49,338	26,076	(26,318)	49,096	26,353
Net pension liability	1,125,290	181,785	(103,670)	1,203,405	--
Other postemployment benefits	537,840	93,336	--	631,176	--
Other liabilities	93,682	12,953	(4,440)	102,195	83,648
Governmental activities total	3,318,603	538,454	(295,492)	3,561,565	255,646
Total business-type activities					
General obligation bonds, net	24,073	2,536	(6,306)	20,303	3,724
Certificates of obligation, net	58,814	7,043	(10,615)	55,242	2,177
Contractual obligations, net	45,537	--	(12,642)	32,895	11,051
Other tax supported debt, net	7,655	--	(539)	7,116	546
General obligation bonds and other tax supported debt total	136,079	9,579	(30,102)	115,556	17,498
Commercial paper notes, net	129,916	141,181	(125,000)	146,097	--
Revenue bonds, net	4,578,492	896,319	(593,609)	4,881,202	129,382
Capital lease obligations	1,040	--	(51)	989	54
Debt service requirements total	4,845,527	1,047,079	(748,762)	5,143,844	146,934
Other long-term obligations					
Accrued compensated absences	25,105	2,227	(985)	26,347	26,060
Claims payable	--	7,805	(5,172)	2,633	2,412
Net pension liability	634,844	74,485	(52,764)	656,565	--
Other postemployment benefits	325,744	54,417	--	380,161	--
Accrued landfill closure and postclosure costs	12,603	125	(35)	12,693	2,794
Decommissioning expense payable	186,350	--	(20,404)	165,946	6,662
Other liabilities	90,552	6,863	(940)	96,475	59,463
Business-type activities total	6,120,725	1,193,001	(829,062)	6,484,664	244,325
Total liabilities (1)	$ 9,439,328	1,731,455	(1,124,554)	10,046,229	499,971

(1) This schedule excludes select short-term liabilities of $105,385 for governmental activities. For business-type activities, it excludes select short-term liablities of $288,545, capital appreciation bond interest payable of $26,661 and derivative instruments of $61,919.

6 – DEBT AND NON-DEBT LIABILITIES, continued

a -- Long-Term Liabilities, continued

Description	October 1, 2016	Increases	Decreases	September 30, 2017	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 406	--	(127)	279	115
General obligation bonds and other tax supported debt total	406	--	(127)	279	115
Commercial paper notes, net	87,746	58,351	--	146,097	--
Revenue bonds, net	1,339,190	113,890	(157,181)	1,295,899	34,971
Capital lease obligations	1,040	--	(51)	989	54
Debt service requirements total	1,428,382	172,241	(157,359)	1,443,264	35,140
Other long-term obligations					
Accrued compensated absences	10,271	585	(286)	10,570	10,570
Claims payable	--	3,822	(1,752)	2,070	2,060
Net pension liability	266,357	29,053	(21,959)	273,451	--
Other postemployment benefits	128,415	19,847	--	148,262	--
Decommissioning expense payable	186,350	--	(20,404)	165,946	6,662
Other liabilities	66,972	1,059	(451)	67,580	31,635
Electric activities total	2,086,747	226,607	(202,211)	2,111,143	86,067
Water and Wastewater activities					
General obligation bonds, net	1,753	1,270	(1,050)	1,973	731
Certificates of obligation bonds, net	--	1,781	(88)	1,693	86
Contractual obligations, net	7,440	--	(1,938)	5,502	1,608
Other tax supported debt, net	4,901	--	(345)	4,556	350
General obligation bonds and other tax supported debt total	14,094	3,051	(3,421)	13,724	2,775
Commercial paper notes, net	42,170	82,830	(125,000)	--	--
Revenue bonds, net	2,529,804	393,924	(369,559)	2,554,169	57,712
Debt service requirements total	2,586,068	479,805	(497,980)	2,567,893	60,487
Other long-term obligations					
Accrued compensated absences	5,531	507	(404)	5,634	5,632
Claims payable	--	3,974	(3,412)	562	351
Net pension liability	142,157	15,670	(11,737)	146,090	--
Other postemployment benefits	83,250	12,726	--	95,976	--
Other liabilities	14,210	3,970	--	18,180	17,113
Water and Wastewater activities total	2,831,216	516,652	(513,533)	2,834,335	83,583
Airport activities					
General obligation bonds, net	80	--	(24)	56	21
General obligation bonds and other tax supported debt total	80	--	(24)	56	21
Revenue bonds, net	546,495	359,425	(24,557)	881,363	23,744
Debt service requirements total	546,575	359,425	(24,581)	881,419	23,765
Other long-term obligations					
Accrued compensated absences	1,988	206	--	2,194	2,194
Claims payable	--	9	(8)	1	1
Net pension liability	44,268	5,690	(3,716)	46,242	--
Other postemployment benefits	21,935	4,259	--	26,194	--
Other liabilities	3,043	591	(461)	3,173	3,173
Airport activities total	617,809	370,180	(28,766)	959,223	29,133
Nonmajor activities					
General obligation bonds, net	21,834	1,266	(5,105)	17,995	2,857
Certificates of obligation, net	58,814	5,262	(10,527)	53,549	2,091
Contractual obligations	38,097	--	(10,704)	27,393	9,443
Other tax supported debt, net	2,754	--	(194)	2,560	196
General obligation bonds and other tax supported debt total	121,499	6,528	(26,530)	101,497	14,587
Revenue bonds, net	163,003	29,080	(42,312)	149,771	12,955
Debt service requirements total	284,502	35,608	(68,842)	251,268	27,542
Other long-term obligations					
Accrued compensated absences	7,315	929	(295)	7,949	7,664
Net pension liability	182,062	24,072	(15,352)	190,782	--
Other postemployment benefits	92,144	17,585	--	109,729	--
Accrued landfill closure and postclosure costs	12,603	125	(35)	12,693	2,794
Other liabilities	6,327	1,243	(28)	7,542	7,542
Nonmajor activities total	$ 584,953	79,562	(84,552)	579,963	45,542

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, 2017, 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 - 2004	2005	$ 2,630	630	50	(1)(3)	4.15 - 4.30%	9/1/2018-2020
NW Austin MUD - 2006	2006	7,995	6,336	2,058	(1)(3)	4.10 - 4.25%	9/1/2018-2026
NW Austin MUD - 2009	2010	2,760	150	3	(1)(3)	4.25%	3/1/2018
Mueller Contractual Obligation - 2006	2006	12,000	7,180	1,714	(1)(4)	4.00 - 5.00%	9/1/2018-2026
Contractual Obligation - 2007	2008	9,755	245	4	(2)	3.66%	11/1/2017
Public Improvement Refunding - 2008	2008	172,505	37,525	3,878	(1)	5.00%	9/1/2018-2021
Public Improvement - 2008	2009	76,045	3,750	150	(1)	4.00%	9/1/2018
Certificates of Obligation - 2008	2009	10,700	495	25	(1)	5.00%	9/1/2018
Public Improvement - 2009B	2009	78,460	73,845	25,609	(1)	4.35 - 5.31%	9/1/2018-2029
Certificates of Obligation - 2009	2009	12,500	8,225	4,016	(1)	3.00 - 4.75%	9/1/2018-2039
Contractual Obligation - 2009	2009	13,800	1,460	69	(2)	3.00 - 3.25%	11/1/2017-2019
Mueller Contractual Obligation - 2009	2010	15,000	10,540	3,051	(1)(4)	4.00 - 4.25%	9/1/2018-2029
Public Improvement - 2010A	2011	79,528	66,030	21,024	(1)	2.13 - 4.00%	9/1/2018-2030
Public Improvement - 2010B	2011	26,400	24,570	8,845	(1)	3.45 - 4.65%	9/1/2018-2030
Certificates of Obligation - 2010	2011	22,300	16,805	4,171	(1)	2.00 - 3.50%	9/1/2018-2030
Contractual Obligation - 2010	2011	16,450	1,245	11	(2)	1.75%	11/1/2017
Public Improvement Refunding - 2010	2011	91,560	68,720	11,857	(1)	4.34 - 5.00%	9/1/2018-2023
Public Improvement - 2011A	2012	78,090	68,140	25,944	(1)	2.00 - 4.00%	9/1/2018-2031
Public Improvement - 2011B	2012	8,450	7,800	2,795	(1)	2.50 - 4.50%	9/1/2018-2031
Certificates of Obligation - 2011	2012	51,150	45,260	24,181	(1)	3.00 - 5.00%	9/1/2018-2041
Contractual Obligation - 2011	2012	26,725	6,360	128	(2)	2.00%	11/1/2017-2018
Public Improvement Refunding - 2011A	2012	68,285	18,100	3,283	(1)	4.00 - 5.00%	9/1/2018-2023
Public Improvement - 2012A	2013	74,280	70,945	25,069	(1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	5,030	1,389	(1)	2.00 - 3.50%	9/1/2018-2032
Certificates of Obligation - 2012	2013	24,645	20,485	6,220	(1)	3.00 - 4.00%	9/1/2018-2037
Contractual Obligation - 2012	2013	27,135	10,400	565	(2)	3.00 - 4.00%	11/1/2017-2019
Mueller Contractual Obligation - 2012	2013	16,735	14,210	4,487	(1)(4)	2.00 - 3.38%	9/1/2018-2032
Public Improvement - 2013	2014	104,665	93,380	44,457	(1)	4.00 - 5.00%	9/1/2019-2033
Certificates of Obligation - 2013	2014	25,355	23,765	12,302	(1)	3.25 - 5.00%	9/1/2018-2038
Contractual Obligation - 2013	2014	50,150	25,115	1,144	(2)	2.00 - 3.00%	11/1/2017-2020
Public Improvement Refunding - 2013A	2014	43,250	27,420	5,882	(1)	5.00%	9/1/2018-2024
Public Improvement Refunding - 2013B	2014	71,455	36,015	1,524	(1)	1.93 - 2.72%	9/1/2018-2020
Public Improvement - 2014	2015	89,915	89,205	56,882	(1)	3.00 - 5.00%	9/1/2020-2034
Public Improvement - 2014	2015	10,000	9,750	4,722	(1)	1.81 - 4.02%	9/1/2018-2034
Certificates of Obligation - 2014	2015	35,490	31,840	15,552	(1)	2.00 - 5.00%	9/1/2018-2034
Certificates of Obligation - 2014	2015	9,600	8,520	3,122	(1)	1.76 - 3.92%	9/1/2018-2034
Contractual Obligation - 2014	2015	14,100	12,245	1,372	(2)	4.00 - 5.00%	11/1/2017-2021
Mueller Contractual Obligation - 2014	2015	15,845	15,365	6,108	(1)(4)	3.00 - 5.00%	9/1/2018-2029
Public Improvement and Refunding - 2015	2016	236,905	229,105	79,137	(1)	2.95 - 5.00%	9/1/2018-2035
Public Improvement - 2015	2016	10,000	9,605	3,916	(1)	2.89 - 4.27%	9/1/2018-2035
Certificates of Obligation - 2015	2016	43,710	40,730	21,608	(1)	3.25 - 5.00%	9/1/2018-2035
Contractual Obligation - 2015	2016	14,450	11,700	1,789	(2)	3.00 - 5.00%	11/1/2017-2022
Public Improvement and Refunding - 2016	2017	98,365	91,210	39,115	(1)	3.00 - 5.00%	9/1/2018-2036
Certificates of Obligation - 2016	2017	44,015	42,460	23,306	(1)	3.00 - 5.00%	9/1/2018-2036
Contractual Obligation - 2016	2017	22,555	21,095	3,195	(2)	2.00 - 5.00%	11/1/2017-2023
Public Improvement - 2016	2017	12,000	11,530	3,577	(1)	1.81 - 4.00%	9/1/2018-2036
Certificates of Obligation - 2016	2017	8,700	8,360	2,592	(1)	1.81 - 4.00%	9/1/2018-2036
			$ 1,432,896				

(1) Interest is paid semiannually on March 1 and September 1.
(2) Interest is paid semiannually on May 1 and November 1.
(3) Includes Austin Water Utility principal of $4,556 and interest of $1,351 and Drainage Fund principal of $2,560 and interest of $760.
(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 2016, the City issued $98,365,000 of Public Improvement and Refunding Bonds, Series 2016. The net proceeds of $51,810,000 (after issue costs, discounts, and premiums) from the non-refunding portion of the issue will be used as follows: streets and mobility ($22,380,000), parks and recreation ($13,625,000), and facility improvements ($15,805,000). The net proceeds of the refunding portion of $68,557,045 were used to refund $56,905,000 Public Improvement Bonds, Series 2008 and $6,755,000 Certificates of Obligation, Series 2008. These bonds will be amortized serially on September 1 of each year from 2017 to 2036. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2017. Total interest requirements for these bonds, at rates ranging from 2.0% to 5.0%, are $43,356,567. An economic gain of $9,165,242 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $10,419,491. An accounting loss of $4,355,130, which will be deferred and amortized, was recorded on this refunding.

In October 2016, the City issued $44,015,000 of Certificates of Obligation, Series 2016. The net proceeds of $53,550,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($50,000,000), and the Central Library ($3,550,000). These certificates of obligation will be amortized serially on September 1 of each year from 2017 to 2036. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2017. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are $25,209,767.

In October 2016, the City issued $22,555,000 of Public Property Finance Contractual Obligations, Series 2016. The net proceeds of $25,070,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: capital equipment ($16,470,000), and CTM network equipment ($8,600,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2017 to 2023. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2017. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are $3,734,764.

In October 2016, the City issued $12,000,000 of Public Improvement Taxable Bonds, Series 2016. The net proceeds of $12,176,103 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing ($10,000,000) and for Austin Film Studios ($2,000,000). Interest is payable March 1 and September 1 of each year from 2017 to 2036, commencing on March 1, 2017. Principal payments are due September 1 of each year from 2017 to 2036. Total interest requirements for this obligation, at rates ranging from 1.8% to 4.0% are $3,889,491.

In October 2016, the City issued $8,700,000 of Certificates of Obligation Bonds, Taxable Series 2016. The net proceeds of $8,827,815 (after issue costs, discounts, and premiums) from the issuance were used for the Seaholm Garage. Interest is payable March 1 and September 1 of each year from 2017 to 2036, commencing on March 1, 2017. Principal payments are due September 1 of each year from 2017 to 2036. Total interest requirements for this obligation, at rates ranging from 1.8% to 4.0% are $2,817,885.

General obligation bonds authorized and unissued amounted to $866,420,000 at September 30, 2017. Bond ratings at September 30, 2017 were Aaa (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

c -- Business-Type Activities Long-Term Liabilities

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

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

The total combined utility systems revenue bond obligations at September 30, 2017, exclusive of discounts, premiums, and loss on refundings consists of $18,625,434 prior lien bonds and $109,920,695 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $110,883,283 at September 30, 2017. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2017, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investors Service, Inc.), AA+ and AA (Standard & Poor's), and AA and AA- (Fitch).

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

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

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

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

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1990B Refunding	1990	$ 236,009	819	5,216 (2)	7.35%	11/15/2017
1994 Refunding	1995	142,559	17,806	66,244 (2)	6.60%	5/15/2018-2019
1998 Refunding	1999	139,965	103,105	27,955 (1)	5.25%	5/15/2018-2025
1998A Refunding	1999	105,350	6,816	11,469 (2)	4.25%	5/15/2018-2020
			$ 128,546			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest requirements include accreted interest

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, 2017, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch). The notes are in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2017, Austin Energy had tax exempt commercial paper notes of $114,905,000 outstanding with interest ranging from 0.84% to 0.96%, 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	Bank of Tokyo Mitsubishi	0.41%	Goldman Sachs	0.05%	$ 114,905	10/15/2017 (1)

(1) In October 2017, the City extended the letter of credit agreement with the current parties. The new agreement expires October 9, 2020, 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.

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

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the "taxable notes") in an aggregate principal amount not to exceed $50,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2017, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch).

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

At September 30, 2017, Austin Energy had outstanding taxable commercial paper notes of $31,192,000 with interest rates ranging from 1.20% to 1.23%. 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	Citibank	0.28%	Goldman Sachs	0.05%	$ 31,192	10/15/2017	(1)

(1) In October 2017, the City extended the letter of credit agreement with the current parties. The new agreement expires October 9, 2020, 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 Citibank, NA and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The taxable notes are secured by a direct-pay Letter of Credit issued by Citibank, NA which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the ordinance. 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, 2017, were Aa3 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Electric Utility System Revenue Debt -- Revenue Bond Refunding Issues – In February 2017, the City issued $101,570,000 of Electric Utility System Revenue Refunding Bonds, Series 2017. The net proceeds of $113,890,104 (after issue costs, premium and discounts) from the issuance were used to refund $105,460,000 in series 2008A Revenue Refunding Bonds. Interest is payable May 15 and November 15 of each year from 2017 to 2038, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2019 to 2038. Total interest requirements for this obligation, with rates ranging from 4.0% to 5.0% are $79,171,457. An economic gain of $10,934,470 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $11,439,372. An accounting loss of $6,785,613, which will be deferred and amortized, was recorded on this refunding.

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

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2017 (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	29,810	2,836 (1)	5.00%	11/15/2017-2020
2008 Refunding	2008	50,000	40,015	23,208 (1)	5.20 - 6.26%	11/15/2017-2032
2010A Refunding	2010	119,255	98,555	51,379 (1)	4.00 - 5.00%	11/15/2017-2040
2010B Refunding	2010	100,990	100,990	81,860 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	262,950	166,462 (1)	2.50 - 5.00%	11/15/2017-2040
2012B Refunding	2013	107,715	83,615	19,631 (1)	1.53 - 3.16%	11/15/2018-2027
2015A Refunding	2015	327,845	327,845	283,547 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	81,045	25,876 (1)	1.11 - 4.66%	11/15/2017-2037
2017 Refunding	2017	101,570	101,570	77,995 (1)	4.00 - 5.00%	11/15/2019-2038
			$ 1,126,395			

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

Electric Utility System Revenue Debt -- Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2017 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,373,020	1,018,604	354,416	104,970	3.38

(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 Utility 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 the Austin Water Utility. Bond ratings at September 30, 2017, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Water and Wastewater System Revenue Debt -- Revenue Bond Issue - In November 2016, the City issued $20,430,000 of Water and Wastewater System Revenue Bonds, Series, 2016A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $19,119,376 will be used as follows: improving and extending the Water/Wastewater system. The debt service requirements on the bonds are $24,155,813 with interest rates ranging from 0.5% to 2.1%. Interest payments are due May 15 and November 15 of each year from 2017 to 2036. Principal payments are due November 15 of each year from 2017 to 2036.

Water and Wastewater System Revenue Debt -- Revenue Bond Cash Defeasance - In March 2017, the City defeased $8,330,000 of separate lien revenue refunding bonds, series 2004A, $7,070,000 of separate lien revenue refunding bonds, series 2009, $2,305,000 of separate lien revenue refunding bonds, series 2009A, and $2,000,000 of separate lien revenue refunding bonds, series 2014, with a $21,317,330 cash payment. The funds were deposited in an irrevocable escrow account to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt.

6 – DEBT AND NON-DEBT LIABILITIES, continued

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

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues - In August 2017, the City issued $311,100,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2017. The net proceeds of $372,187,436 (after issue costs, discounts, and premiums) from the bond refunding were used to refund $98,460,000 of the City's separate lien revenue refunding bonds, series 2009, $130,340,000 of the City's separate lien revenue refunding bonds, series 2009A, and $125,000,000 of tax-exempt commercial paper. The debt service requirements on the refunding bonds are $219,556,958 with interest rates ranging from 2.5% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2017 to 2046. Principal payments are due November 15 of each year from 2020 to 2046. An economic gain of $29,045,226 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $36,830,194. An accounting loss of $11,572,025, which will be deferred and amortized, was recorded on this refunding.

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, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt	
2004A Refunding	2005	$ 165,145	5,680	677	(1)	5.00%	11/15/2018-2019	
2007 Refunding	2008	135,000	3,220	85	(1)	5.25%	11/15/2017	
2008 Refunding	2008	170,605	109,820	34,560	(2)	0.54 - 0.94%	11/15/2017-2031	(3)
2009 Refunding	2009	175,000	17,115	1,021	(1)	4.00 - 5.00%	11/15/2017-2019	
2009A Refunding	2010	166,575	6,830	377	(1)	4.50 - 5.00%	11/15/2017-2019	
2010	2010	31,815	26,505	--	(4)	0.00%	11/15/2017-2041	
2010A Refunding	2011	76,855	71,235	51,720	(1)	5.00 - 5.13%	11/15/2017-2040	
2010B Refunding	2011	100,970	95,805	76,995	(1)	3.36 - 6.02%	11/15/2017-2040	
2011 Refunding	2012	237,530	236,030	150,270	(1)	2.00 - 5.00%	11/15/2017-2041	
2012 Refunding	2012	336,820	269,530	167,478	(1)	2.50 - 5.00%	11/15/2017-2042	
2013A Refunding	2013	282,460	270,100	178,760	(1)	3.00 - 5.00%	11/15/2017-2043	
2014 Refunding	2014	282,205	280,205	208,391	(1)	4.00 - 5.00%	5/15/2018-2043	
2015A Refunding	2015	249,145	247,805	108,274	(1)	2.85 - 5.00%	11/15/2017-2036	
2015B Refunding	2015	40,000	36,490	2,035	(1)	1.13 - 2.54%	11/15/2017-2021	
2016 Refunding	2016	247,770	247,770	222,580	(1)	5.00%	11/15/2019-2045	
2016A	2017	20,430	20,430	3,587	(1)	0.53 - 2.12%	11/15/2017-2036	
2017 Refunding	2017	311,100	311,100	219,557	(1)	2.50 - 5.00%	11/15/2020-2046	
			$ 2,255,670					

(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	Citibank	0.28%	Goldman Sachs	0.05%	$ 109,820	10/15/2018

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.

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 Utility was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2017 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
$ 601,928	233,592	368,336	227,382	1.62

(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 Revenue Bonds -- 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. At September 30, 2017, the total airport system obligation for prior lien bonds is $812,933,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $621,373,096 at September 30, 2017. Revenue bonds authorized and unissued amount to $735,795,000. Bond ratings at September 30, 2017, for the revenue bonds were A (Standard & Poor's) and A1 (Moody's Investors Service, Inc.).

Airport System Revenue Debt -- Revenue Bond Issue - In February 2017, the City issued $185,300,000 of Airport System Revenue Bonds, Series 2017A. The net proceeds of $213,319,508 (after issue costs, discounts, and premiums) from the issuance are being used for parking garage project construction. Interest is payable May 15 and November 15 of each year from 2017 to 2046, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2026 to 2046. Total interest requirements for these obligations, at a constant rate of 5.0%, are $199,610,319.

In February 2017, the City issued $129,665,000 of Airport System Revenue Bonds, Series 2017B (AMT). The bonds are subject to the alternative minimum tax (AMT). The net proceeds of $146,104,969 (after issue costs, discounts, and premiums) from the issuance are being used for expansion and improvements to the terminal and apron. Interest is payable May 15 and November 15 of each year from 2017 to 2046, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2026 to 2046. Total interest requirements for these obligations, a constant rate of 5.00% are $139,677,305.

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2008 (1)	$ 281,300	179,075	34,734 (2)	0.60 - 0.97%	11/15/2017-2025
2013 Revenue	2013	60,000	56,410	7,897 (3)	2.25%	11/15/2017-2028 (4)
2013A Refunding	2014	35,620	17,988	162 (3)	1.56%	11/15/2017-2018
2014 Revenue	2015	244,495	244,495	243,798 (3)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	196,960 (3)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	137,822 (3)	5.00%	11/15/2026-2046
			$ 812,933			

(1) Series was remarketed in 2008.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 4.05% in effect at the end of the fiscal year.
(3) Interest is paid semiannually on May 15 and November 15.
(4) Series matures on May 15 of the final year.

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

The Series 2005 refunding bonds that were remarketed in 2008 are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of $179,075,000. 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
2005-1	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	$ 44,775	10/15/2018
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,750	10/15/2018
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,775	10/15/2018
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,775	10/15/2018
					$ 179,075	

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 annual installments over the remaining life of the bond series beginning on the first business day of the month six months following the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2017. 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.

Airport Revenue Debt -- Pledged Revenues - The net revenue of the Airport Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2017 (in thousands):

Gross Revenue (1)	Other Available Funds (2)	Operating Expense (3)	Net Revenue and Other Available Funds	Debt Service Requirement (4)	Revenue Bond Coverage
$ 154,570	4,830	94,139	65,261	19,319	3.38

(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.

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

Nonmajor Fund Debt:

Convention Center -- Prior and Subordinate Lien Revenue Refunding Bonds - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2017, the total convention center obligation for prior and subordinate lien bonds is $148,010,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $29,469,204 at September 30, 2017. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2017.

Bond ratings at September 30, 2017, for the revenue bonds and subordinate lien bonds were, respectively, Aa3 and A1 (Moody's Investors Service, Inc.), and AA and A+ (Standard & Poor's).

Convention Center -- Revenue Refunding Bond Issue - In November 2016, the City issued 29,080,000 of Town Lake Park Community Events Center Venue Project Refunding Bonds, Series 2016. The bonds were issued via private placement bonds. Proceeds from the bonds were used to refund $28,920,000 of the City's Series 2005 Venue Project Refunding bonds. Interest is payable May 15 and November 15 of each year from 2017 to 2029, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2017 to 2029. Total interest requirements at a rate of 1.875% are $3,945,923. An economic gain of $6,112,269 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $6,920,227. An accounting loss of $785,846, which will be deferred and amortized, was recorded on this refunding.

The following table summarizes Convention Center refunding revenue bonds outstanding at September 30, 2017 (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	87,820	18,936 (2)	0.54 - 0.96%	11/15/2017-2029
2012 Refunding	2012	20,185	16,995	5,777 (1)	2.50 - 5.00%	11/15/2017-2029
2013 Refunding	2014	26,485	14,115	1,082 (1)	5.00%	11/15/2017-2019
2016 Refunding	2017	29,080	29,080	3,674 (1)	1.88%	11/15/2017-2029
			$ 148,010			

(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	JPMorgan Chase Bank, NA	0.42%	Raymond James	0.06%	$ 43,910	12/15/2017 (1)
2008-B	JPMorgan Chase Bank, NA	0.42%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	43,910	12/15/2017 (1)
					$ 87,820	

(1) In October 2017, the City extended the letter of credit agreements with the current parties. The new agreements expire on October 9, 2020, thus the City has classified this debt as long-term at the end of the fiscal year.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2017. 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.

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
2018	$ 60,206	44,419	7,703	8,184	16,435	3,986
2019	63,233	42,032	7,502	7,899	15,485	3,428
2020	66,161	39,375	7,729	7,621	13,824	2,879
2021	70,562	36,318	8,057	7,329	11,455	2,388
2022	70,876	32,943	8,402	7,022	8,953	1,935
2023-2027	352,950	116,862	47,907	29,718	24,562	5,545
2028-2032	263,350	48,163	57,090	18,694	14,395	1,376
2033-2037	75,130	5,779	41,643	6,879	--	--
2038-2042	--	--	9,835	974	--	--
	1,022,468	365,891	195,868	94,320	105,109	21,537
Less: Unamortized bond discounts	(45)	--	--	--	(7)	--
Add: Unamortized bond premiums	87,343	--	18,526	--	6,766	--
Net debt service requirements	1,109,766	365,891	214,394	94,320	111,868	21,537

Fiscal Year Ended September 30	Total Governmental Debt Service Requirements Principal	Interest	Total
2018	84,344	56,589	140,933
2019	86,220	53,359	139,579
2020	87,714	49,875	137,589
2021	90,074	46,035	136,109
2022	88,231	41,900	130,131
2023-2027	425,419	152,125	577,544
2028-2032	334,835	68,233	403,068
2033-2037	116,773	12,658	129,431
2038-2042	9,835	974	10,809
	1,323,445	481,748	1,805,193
Less: Unamortized bond discounts	(52)	--	(52)
Add: Unamortized bond premiums	112,635	--	112,635
Net debt service requirements	$ 1,436,028	481,748	1,917,776

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
2018	$ 3,724	869	2,177	2,157	11,051	922
2019	3,171	714	2,273	2,090	9,195	605
2020	3,119	587	2,371	2,016	6,851	339
2021	3,254	443	2,488	1,935	3,285	163
2022	2,574	297	2,602	1,849	1,256	63
2023-2027	3,365	253	15,048	7,617	413	10
2028-2032	--	--	15,920	4,105	--	--
2033-2037	--	--	7,453	952	--	--
2038-2042	--	--	745	53	--	--
2043-2047	--	--	--	--	--	--
	19,207	3,163	51,077	22,774	32,051	2,102
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	1,096	--	4,165	--	844	--
Net debt service requirements	20,303	3,163	55,242	22,774	32,895	2,102

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	546	467	146,097	136	129,382	251,990
2019	455	575	--	--	118,729	225,554
2020	775	258	--	--	162,048	198,454
2021	820	226	--	--	186,565	187,508
2022	845	191	--	--	195,216	179,476
2023-2027	3,675	394	--	--	1,005,955	761,991
2028-2032	--	--	--	--	886,182	538,454
2033-2037	--	--	--	--	715,825	358,408
2038-2042	--	--	--	--	674,355	179,119
2043-2047	--	--	--	--	397,297	39,933
	7,116	2,111	146,097	136	4,471,554	2,920,887
Less: Unamortized bond discounts	--	--	--	--	(1,123)	--
Add: Unamortized bond premiums	--	--	--	--	410,771	--
Net debt service requirements	$ 7,116	2,111	146,097	136	4,881,202	2,920,887

(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 0.54% to 0.97%.

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

Business-type Activities, continued
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2018	$ 54	73	293,031	256,614	549,645
2019	57	70	133,880	229,608	363,488
2020	60	67	175,224	201,721	376,945
2021	63	64	196,475	190,339	386,814
2022	67	61	202,560	181,937	384,497
2023-2027	387	250	1,028,843	770,515	1,799,358
2028-2032	301	104	902,403	542,663	1,445,066
2033-2037	--	--	723,278	359,360	1,082,638
2038-2042	--	--	675,100	179,172	854,272
2043-2047	--	--	397,297	39,933	437,230
	989	689	4,728,091	2,951,862	7,679,953
Less: Unamortized bond discounts	--	--	(1,123)	--	(1,123)
Add: Unamortized bond premiums	--	--	416,876	--	416,876
Net debt service requirements	$ 989	689	5,143,844	2,951,862	8,095,706

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
2018	$ 115	7	146,097	136	34,971	58,656
2019	109	4	--	--	37,007	54,363
2020	50	2	--	--	46,993	52,724
2021	4	--	--	--	47,106	50,835
2022	--	--	--	--	54,593	48,794
2023-2027	--	--	--	--	272,027	205,366
2028-2032	--	--	--	--	244,980	141,113
2033-2037	--	--	--	--	198,520	90,294
2038-2042	--	--	--	--	162,165	43,403
2043-2047	--	--	--	--	105,015	10,880
	278	13	146,097	136	1,203,377	756,428
Less: Unamortized bond discounts	--	--	--	--	(180)	--
Add: Unamortized bond premiums	1	--	--	--	92,702	--
Net debt service requirements	279	13	146,097	136	1,295,899	756,428

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2018	54	73	181,237	58,872	240,109
2019	57	70	37,173	54,437	91,610
2020	60	67	47,103	52,793	99,896
2021	63	64	47,173	50,899	98,072
2022	67	61	54,660	48,855	103,515
2023-2027	387	250	272,414	205,616	478,030
2028-2032	301	104	245,281	141,217	386,498
2033-2037	--	--	198,520	90,294	288,814
2038-2042	--	--	162,165	43,403	205,568
2043-2047	--	--	105,015	10,880	115,895
	989	689	1,350,741	757,266	2,108,007
Less: Unamortized bond discounts	--	--	(180)	--	(180)
Add: Unamortized bond premiums	--	--	92,703	--	92,703
Net debt service requirements	$ 989	689	1,443,264	757,266	2,200,530

(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 Utility
(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
2018	$ 731	84	86	62	1,608	174
2019	239	51	91	59	1,352	126
2020	207	43	92	56	1,052	83
2021	186	34	99	53	671	50
2022	187	27	102	50	419	24
2023-2027	343	26	590	190	175	4
2028-2032	--	--	591	60	--	--
2033-2037	--	--	3	--	--	--
2038-2042	--	--	--	--	--	--
2043-2047	--	--	--	--	--	--
	1,893	265	1,654	530	5,277	461
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	80	--	39	--	225	--
Net debt service requirements	1,973	265	1,693	530	5,502	461

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Austin Water Utility Debt Service Requirements Principal	Total Austin Water Utility Debt Service Requirements Interest	Total Austin Water Utility Debt Service Requirements Total
2018	350	299	57,712	152,213	60,487	152,832	213,319
2019	291	368	44,033	131,419	46,006	132,023	178,029
2020	496	165	74,955	107,441	76,802	107,788	184,590
2021	525	145	103,999	99,779	105,480	100,061	205,541
2022	541	122	105,583	95,042	106,832	95,265	202,097
2023-2027	2,353	252	547,133	398,391	550,594	398,863	949,457
2028-2032	--	--	497,067	271,786	497,658	271,846	769,504
2033-2037	--	--	392,720	171,824	392,723	171,824	564,547
2038-2042	--	--	353,205	74,704	353,205	74,704	427,909
2043-2047	--	--	130,827	11,018	130,827	11,018	141,845
	4,556	1,351	2,307,234	1,513,617	2,320,614	1,516,224	3,836,838
Less: Unamortized bond discounts	--	--	(620)	--	(620)	--	(620)
Add: Unamortized bond premiums	--	--	247,555	--	247,899	--	247,899
Net debt service requirements	$ 4,556	1,351	2,554,169	1,513,617	2,567,893	1,516,224	4,084,117

(1) Portions of these bonds are variable rate bonds with rates of 0.54% - 0.94%.

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 Principal	General Obligation Bonds Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest
2018	$ 21	2	23,744	36,505
2019	20	1	24,249	35,646
2020	10	--	26,135	34,682
2021	2	--	26,150	33,702
2022	1	--	25,430	32,748
2023-2027	--	--	134,065	148,641
2028-2032	--	--	108,135	124,112
2033-2037	--	--	124,585	96,290
2038-2042	--	--	158,985	61,012
2043-2047	--	--	161,455	18,035
	54	3	812,933	621,373
Less: Unamortized bond discounts	--	--	(259)	--
Add: Unamortized bond premiums	2	--	68,689	--
Net debt service requirements	56	3	881,363	621,373

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2018	23,765	36,507	60,272
2019	24,269	35,647	59,916
2020	26,145	34,682	60,827
2021	26,152	33,702	59,854
2022	25,431	32,748	58,179
2023-2027	134,065	148,641	282,706
2028-2032	108,135	124,112	232,247
2033-2037	124,585	96,290	220,875
2038-2042	158,985	61,012	219,997
2043-2047	161,455	18,035	179,490
	812,987	621,376	1,434,363
Less: Unamortized bond discounts	(259)	--	(259)
Add: Unamortized bond premiums	68,691	--	68,691
Net debt service requirements	$ 881,419	621,376	1,502,795

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.60% - 0.97%.

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 Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2018	$ 2,857	776	2,091	2,095	9,443	748
2019	2,803	658	2,182	2,031	7,843	479
2020	2,852	542	2,279	1,960	5,799	256
2021	3,062	409	2,389	1,882	2,614	113
2022	2,386	270	2,500	1,799	837	39
2023-2027	3,022	227	14,458	7,427	238	6
2028-2032	--	--	15,329	4,045	--	--
2033-2037	--	--	7,450	952	--	--
2038-2042	--	--	745	53	--	--
	16,982	2,882	49,423	22,244	26,774	1,641
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	1,013	--	4,126	--	619	--
Net debt service requirements	17,995	2,882	53,549	22,244	27,393	1,641

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Nonmajor Enterprise Debt Service Requirements Principal	Total Nonmajor Enterprise Debt Service Requirements Interest	Total Nonmajor Enterprise Debt Service Requirements Total
2018	196	168	12,955	4,616	27,542	8,403	35,945
2019	164	207	13,440	4,126	26,432	7,501	33,933
2020	279	93	13,965	3,607	25,174	6,458	31,632
2021	295	81	9,310	3,192	17,670	5,677	23,347
2022	304	69	9,610	2,892	15,637	5,069	20,706
2023-2027	1,322	142	52,730	9,593	71,770	17,395	89,165
2028-2032	--	--	36,000	1,443	51,329	5,488	56,817
2033-2037	--	--	--	--	7,450	952	8,402
2038-2042	--	--	--	--	745	53	798
	2,560	760	148,010	29,469	243,749	56,996	300,745
Less: Unamortized bond discounts	--	--	(64)	--	(64)	--	(64)
Add: Unamortized bond premiums	--	--	1,825	--	7,583	--	7,583
Net debt service requirements	$ 2,560	760	149,771	29,469	251,268	56,996	308,264

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.54% - 0.96%.

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, 2017, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Maturity Dates	Escrow Balance (1)
General Obligation		
Public Improvement Bonds, Series 2008	9/1/2018	$ 56,905
Certificates of Obligation, Series 2008	9/1/2018	6,755
Austin Water Utility		
Series 2004A	11/15/2018 - 11/15/2019	8,330
Series 2007	11/15/2017	110,940
Series 2009	11/15/2018 - 11/15/2019	118,360
Series 2009A	11/15/2018 - 11/15/2019	137,210
Series 2014	5/15/2018 - 5/15/2019	2,000
Austin Energy		
Series 2008A	11/15/2017 - 11/15/2018	169,605
Combined Utility System Revenue		
Series 1994 Subordinate Lien	5/15/2019	3,700
		$ 613,805

(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, 2016. 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	418 E. Highland Mall Blvd. Austin, Texas 78752-3720 **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 3.0% 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 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 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 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 2017.

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

Employees Covered by Benefit Terms: Membership in the plans as of December 31, 2016, is as follows:

	City Employees	Police Officers	Fire Fighters
Inactive employees or beneficiaries currently receiving benefits	5,934	849	750
Inactive employees entitled to but not yet receiving benefits	2,507	36	7
Active employees	9,364	1,837	990
Total	17,805	2,722	1,747

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)	8.00%	13.00%	18.70%
City contribution (percent of earnings)	18.00% (1)	21.313%	22.05%
City contributions year ended September 30, 2017 (in thousands)	$108,929	34,717	19,104

(1) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 18% was effective October 1, 2012.

The City's net pension liability was measured as of December 31, 2016 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' fund. For the other two systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 using the final 2016 assumptions and then was rolled forward to the plan's year ending December 31, 2016.

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

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.75%	3.00%	3.00%
Projected annual salary increases	4.00% to 6.25%	0.1% to 18.00% Service based (1)(2)	1.00% to 8.50% Service based (2)
Investment rate of return	7.50%	7.70%	7.70%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Dates of experience studies	2011 - 2015	2012 - 2016	2004 - 2014
Source for mortality assumptions	RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014.	RP-2000 Combined Healthy without projection - Sex Distinct.	RP2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct.

(1) This includes the classification status change upon graduation from the academy.
(2) This does not include assumed general wage increases of 3.25% and 3.00% for Police and Fire, respectively.

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:		
International equity	30.00%	5.90%
US equity	30.00%	4.57%
Fixed income	24.50%	1.25%
Alternative investments	10.00%	3.25% to 7.25%
Real estate	5.50%	4.00%
Total	100.00%	
Police Officers:		
Domestic equity	40.00%	7.50%
International equity	15.00%	8.50%
Other Equity	7.50%	7.50%
Core Fixed Income	5.00%	2.50%
Global fixed income	5.00%	3.50%
Other Fixed Income	5.00%	2.50%
Real estate	15.00%	4.50%
Timber	2.50%	2.50%
Hedge Funds	5.00%	5.00%
Total	100.00%	
Fire Fighters:		
Public domestic equity	20.00%	5.30%
Public foreign equity	22.00%	6.90%
Private equity fund of funds	15.00%	5.60%
Investment grade bonds	13.00%	1.10%
Treasury inflation protected securities	5.00%	0.80%
High yield/bank loans	5.00%	3.80%
Emerging market debt	7.00%	3.60%
Core real estate	5.00%	3.40%
Non-core real estate	5.00%	5.00%
Natural resources	3.00%	5.90%
Total	100.00%	

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

Discount Rate. The following provides information on the discount rate used to measure the City's total pension liability. Based on the assumptions presented below, the fiduciary net position for all three pension 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.

	City Employees	Police Officers	Fire Fighters
Single discount rate	7.50%	7.70%	7.70%
Change since last measurement date	None	(0.10%)	None
Long-term expected rate of return on pension plan investments	7.50%	7.70%	7.70%
Cash flow assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the current rate for 32 years and then will decrease to 8%.	Plan member contributions will be made at current contribution rates. City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate.	Plan member contributions will be made at current contribution rates. City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate.

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	6.50%	$ 1,731,803	7.50%	$ 1,291,688	8.50%	$ 924,512
Police Officers	6.70%	543,431	7.70%	420,169	8.70%	315,661
Fire Fighters	6.70%	248,626	7.70%	148,113	8.70%	63,515

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, 2016 are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2015 (a)	$ 3,391,796	1,028,909	913,618	5,334,323
Changes for the year:				
Service cost	107,111	32,990	24,323	164,424
Interest	251,684	80,846	70,893	403,423
Benefit changes	--	--	5,491	5,491
Differences between expected and actual experience	19,914	7,455	8,893	36,262
Assumption changes	--	5,148	--	5,148
Contribution buy back	--	1,668	--	1,668
Benefit payments including refunds	(179,129)	(50,827)	(45,495)	(275,451)
Net change in total total pension liability	199,580	77,280	64,105	340,965
Total pension liability at December 31, 2016 (b)	$ 3,591,376	1,106,189	977,723	5,675,288
Total plan fiduciary net position at December 31, 2015 (c)	$ 2,144,804	644,174	785,211	3,574,189
Changes for the year:				
Employer contributions	104,273	33,814	19,104	157,191
Employee contributions	60,801	20,623	15,884	97,308
Contribution buy back	--	1,668	--	1,668
Pension plan net investment income (loss)	171,640	37,965	55,569	265,174
Benefits payments and refunds	(179,129)	(50,827)	(45,496)	(275,452)
Pension plan administrative expense	(2,701)	(1,397)	(662)	(4,760)
Net change in total plan fiduciary net position	154,884	41,846	44,399	241,129
Total plan fiduciary net position at December 31, 2016 (d)	$ 2,299,688	686,020	829,610	3,815,318
Net pension liability at December 31, 2015 (a-c)	$ 1,246,992	384,735	128,407	1,760,134
Net pension liability at December 31, 2016 (b-d)	$ 1,291,688	420,169	148,113	1,859,970

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

The City Employees' fund had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The Police Officers' fund had no changes to benefit terms during the measurement period but did have several changes in assumptions that affected the measurement of the total pension liability.

Changes to assumptions included:

- The investment return assumption has been decreased from 7.80% to 7.70%,
- The core inflation rate assumption has been decreased from 3.25% to 3.00% per year,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25% per year,
- The assumed rates of salary increase have been amended at most service points,
- The payroll growth assumption has been increased from 3.50% to 4.00% per year.

The Fire Fighters' fund had no significant changes of assumptions during the measurement period but did have a change in benefit term that affected the total pension liability. Effective January 1, 2017 a cost-of-living adjustment increase of 1.50% went into effect.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2017, was comprised of the following (in thousands):

	Pension Expense
City Employees	$ 232,097
Police Officers	61,389
Fire Fighters	42,862
Total	$ 336,348

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

At September 30, 2017, 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	$ 80,263	25,486	13,993	119,742
Differences between expected and actual experience	37,943	6,710	13,176	57,829
Changes in assumptions	76,077	17,653	3,255	96,985
Net difference between projected and actual earnings on pension plan investments	150,241	45,226	42,300	237,767
Total	344,524	95,075	72,724	512,323
Deferred Inflows of Resources				
Differences between expected and actual experience	--	5,054	--	5,054
Total	$ --	5,054	--	5,054

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

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

Fiscal Year Ended September 30	City Employees	Police Officers	Fire Fighters	Total
2018	$ 92,107	17,461	17,405	126,973
2019	91,888	17,461	17,406	126,755
2020	71,810	15,115	14,256	101,181
2021	6,876	4,919	3,446	15,241
2022	1,580	2,433	2,553	6,566
Thereafter	--	7,146	3,665	10,811
Total	$ 264,261	64,535	58,731	387,527

8 – OTHER POSTEMPLOYMENT BENEFITS
a -- Description

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. 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 are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other postemployment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other postemployment benefits for retirees or their dependents. Allocation of City funds to pay other postemployment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

The pay-as-you-go cost of providing medical and life benefits was $43.1 million for 4,834 retirees in 2017 and $39.3 million for 4,644 retirees in 2016.

b -- Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation

The annual cost associated with the City's OPEB retiree benefits for the fiscal year ended September 30, 2017 is as follows (in thousands):

	OPEB Obligation
Annual required contribution	$ 203,571
Interest on net OPEB obligation	36,358
Adjustment to annual required contribution	(49,125)
Annual OPEB cost	190,804
Contributions made	(43,051)
Change in net OPEB obligation	147,753
Beginning net OPEB obligation	863,584
Net OPEB obligation	$ 1,011,337

8 – OTHER POSTEMPLOYMENT BENEFITS, continued

b -- Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation, continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years are as follows (in thousands):

Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 126,916	31%	777,699
2016	125,199	31%	863,584
2017	190,804	22%	1,011,337

c -- Schedule of Funding Progress at September 30, 2017 (in thousands):

Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
$ --	2,004,664	2,004,664	0%	850,259	235.8%

(1) UAAL - Unfunded Actuarial Accrued Liability

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

d -- Actuarial Methods and Assumptions

Projections of benefits are based on the plan in place at the time of the valuation and include the type of benefits provided at the valuation date and the cost sharing pattern between the employer and plan members at that time. The actuarial calculations of the OPEB plan reflect a long-term perspective and utilize actuarial methods and assumptions that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities.

e -- Funding Policy

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

	OPEB
Actuarial valuation date	October 1, 2016
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage Open
Remaining amortization period	30 years
Asset valuation method	N/A
Investment rate of return	4.21%
Inflation rate	None
Salary increase	None
Payroll Increase	None
Health care cost trend rate	8.0% in 2017, decreasing 0.5% per year for six years to an ultimate trend of 5.0% in 2023

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, 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 and congestion price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

Hedging Derivative Instruments

Natural Gas Derivatives
Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, Western Area Hub Association (WAHA), Katy, and the Houston Ship Channel (HSC).

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period, 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, 2017, $195 thousand in premiums was deferred. As of September 30, 2017, the fair value of Austin Energy's futures, options, swaps and congestion revenue rights, was an unrealized loss of $13.1 million, of which $15.0 million is reported as derivative instruments in liabilities and $1.9 million 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. The instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments.

As of September 30, 2017, PCRRs had a fair value of $81 thousand and CRRs had a fair value of $1.4 million, and both are reported as derivative instruments. The market value for CRRs and PCRRs is calculated using the implied market value (the difference between future proxy sink price and source price) multiplied by the number of open positions, hierarchy level 2 market approach. The difference in the prices represents what the expected cost of congestion will be for that given point in time.

In fiscal year 2017, Austin Energy sold PCRRs and recorded a gain of $205 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2017, $205 thousand remained deferred.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

On September 30, 2017, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2017 — Maturity Dates	Notional Volumes		Fair Value	Change in Fair Value	Premiums Deferred
Long	OTC Call Options	Henry Hub	Oct 2017 - Sept 2021	12,040,000	(1)	$ 389	(130)	2,868
Long	OTC Basis Swaps	WAHA	Apr 2018 - Oct 2018	1,070,000	(1)	24	24	--
n/a	Congestion Rights	ICE (2)	Oct 2017- Jun 2018	22,029,210	(3)	1,450	(1,728)	--
			Derivative instruments (assets)			1,863	(1,834)	2,868
Short	OTC Put Options	Henry Hub	Oct 2017 - Sep 2021	(12,040,000)	(1)	(6,234)	1,242	(2,673)
Long	OTC Swaps	Henry Hub	Oct 2017 - Sep 2020	8,437,500	(1)	(8,726)	783	--
			Derivative instruments (liabilities)			(14,960)	2,025	(2,673)
			Total			$ (13,097)	191	195

(1) Volume in MMBTUs
(2) Intercontinental Exchange
(3) Volume in MWHs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates.

The realized gains and losses related to the hedging activity derivative instruments are netted to Power Supply Adjustment expense in the period realized.

<u>Risks</u>

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. At September 30, 2017, the brokerages had credit ratings of A.

The over-the-counter agreements expose Austin Energy to credit risk; however, at September 30, 2017, none of the counterparties had outstanding obligations with Austin Energy. The contractual provisions applied to these contracts under the International Swaps and Derivatives Association (ISDA) agreement include collateral provisions. At September 30, 2017, 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 minimal 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.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub). As of September 30, 2017, the NYMEX price was $2.97 per MMBTU (one million British thermal unit, a measurement of heating value), the WAHA Hub price was $2.44 per MMBTU, Katy was $2.92 per MMBTU, and the HSC Hub price was $2.88 per MMBTU.

Risks

As of September 30, 2017, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

b -- Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of 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, 2017, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling $602.1 million and $376.7 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.

On September 30, 2017, 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	$	109,820	(15,509)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025		179,075	(21,535)
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		87,820	(9,915)
					$	376,715	(46,959)

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.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

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, 2017 (in thousands):

Item	Outstanding Notional Amount	Fair Value and Classification: Amount	Fair Value and Classification: Classification	Change in fair value: Deferred Outflows	Change in fair value: Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 109,820	(15,509)	Non-current liability	7,917	--
AIR1	179,075	(21,535)	Non-current liability	10,492	--
HOT1	87,820	(9,915)	Non-current liability	5,156	--
	$ 376,715	(46,959)		23,565	--

Due to the continued low interest rate levels during fiscal year 2017, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2017. 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, 2017, 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, 2017, are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings: Moody's Investors Service, Inc	Counterparty Ratings: Standard & Poor's	Counterparty Ratings: Fitch, Inc
Business-Type Activities:					
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	A1	A+	A
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, LLC	A3	BBB+	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products (MKFP)	Baa2	A-	BBB+

Swap agreements for all three 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 AIR1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P. For Swap HOT1, the credit support provider of MKFP is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

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, 2017, are included in the table below (in thousands):

Item	Related Variable Rate Bonds		Counterparty Swap Interest Pay	Counterparty Swap Interest Receive	Counterparty Swap Interest Net	Interest to Bondholders	Net Interest Payments
Business-Type Activities:							
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	$	(3,978)	821	(3,157)	(826)	(3,983)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005		(7,278)	1,076	(6,202)	(1,385)	(7,587)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008		(2,883)	527	(2,356)	(674)	(3,030)
		$	(14,139)	2,424	(11,715)	(2,885)	(14,600)

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, 2017, the City bears basis risk on the two remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Tax risk. Tax risk is a specific type of basis risk. Tax risk is 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 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

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. Additionally, the City purchased swap insurance on the Swap AIR1 to further reduce the possibility of termination risk.

Rollover risk. The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. The City is currently not exposed to rollover risk on its hedging derivative instruments.

Investment Derivative Instruments

At September 30, 2017, 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, 2017, 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
2018	$ 12,600	43	13,652	13,695
2019	28,525	38	12,697	12,735
2020	31,935	28	11,507	11,535
2021	31,010	18	10,318	10,336
2022	27,710	9	9,235	9,244
2023-2027	168,090	(88)	25,629	25,541
2028-2031	76,845	(36)	5,181	5,145
Total	$ 376,715	12	88,219	88,231

(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 9/30/2017.

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2017, 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 issues.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
Auto Theft Interdiction	$ 29
Fiscal Surety - Land Development	279
Neighborhood Housing & Conservation	1,948
City Hall	169
Mueller Tax Increment Financing	89
Tourism and Promotion	10
Waller Creek Tax Increment Finance	18
Capital Projects Funds:	
2012 fund	
Health	545
2016 fund	
Mobility	13,211
Other funds	
Health Projects	1,118
Build Austin	264
Public Works	439
Watershed Protection	718
City Hall, plaza, parking garage	6,532
Internal Service Funds	
Capital Projects Management	347
Nonmajor Enterprise	
Austin Resource Recovery	39,957
Transportation	27,413

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

Interfund receivables, payables, and advances at September 30, 2017, are as follows (in thousands):

	Due From				
Due To	**Nonmajor Governmental**	**Austin Energy**	**Austin Water Utility**	**Nonmajor Enterprise**	**Total**
General	$ 31	210	--	--	241
Nonmajor governmental	11,412	--	--	--	11,412
Austin Water Utility	--	3,101	--	--	3,101
Airport	--	162	--	--	162
Nonmajor enterprise	--	--	301	1,700	2,001
Total	$ 11,443	3,473	301	1,700	16,917

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 ($13.1 million). Deficits in grant funds awaiting reimbursement from grantors ($9.9 million) was borrowed from the Fiscal Surety fund.

	Advance To						
Advance From	**Nonmajor Governmental**	**Austin Energy**	**Austin Water Utility**	**Airport**	**Nonmajor Enterprise**	**Internal Service**	**Total**
General	$ --	654	--	--	--	--	654
Nonmajor governmental	17,641	255	--	52	311	7	18,266
Austin Water Utility	680	13,926	--	--	--	--	14,606
Airport	--	506	--	--	--	--	506
Nonmajor enterprise	775	--	2,104	--	--	--	2,879
Total	$ 19,096	15,341	2,104	52	311	7	36,911

Advances to and advances from reflect borrowing that will not be liquidated within one year. Of the above amounts, $6.6 million is an interfund loan between capital project funds, the CTM and City Hall funds. $8.9 million is an interfund loan between the Transportation and Mobility funds, both capital project funds, to cover deficit pooled cash. $43 million in bond proceeds, including $15 million for corridor mobility improvements and $10 million for sidewalks, will be transferred to the Mobility fund in 2018. The advance to Austin Water Utility from Austin Energy funded the Combined Utility System Revenue Bond Retirement Reserve Account. Austin Energy funded the entire reserve on behalf of both enterprise funds.

b -- Transfers

Transfers at September 30, 2017, are as follows (in thousands):

	Transfers In						
Transfers Out	**General Fund**	**Nonmajor Governmental**	**Austin Energy**	**Austin Water**	**Nonmajor Enterprise**	**Internal Service**	**Total**
General Fund	$ --	8,393	9	--	1,353	2,370	12,125
Nonmajor governmental	4,918	26,116	3	--	126,905	--	157,942
Austin Energy	115,493	--	--	--	54	35	115,582
Austin Water Utility	45,805	76	2,110	--	3,050	174	51,215
Airport	--	--	--	--	--	33	33
Nonmajor enterprise	472	2,826	--	13	6,647	95	10,053
Internal service	--	18,441	--	--	1,191	222	19,854
Total	$ 166,688	55,852	2,122	13	139,200	2,929	366,804

Interfund transfers are authorized through City council approval. Significant transfers include: Austin Energy and Austin Water Utility transfers to the General fund ($161.3 million), which are comparable to a return on investment to owners. The transfer of tax collections from the Hotel-Motel Occupancy Tax ($67.3 million) and the Vehicle Rental Tax ($9.3 million) special revenue funds to the Convention Center, and a ($50 million) transfer from non-major governmental fund to Drainage for Watershed home buyout program.

12 – SELECTED REVENUES
a -- Major Enterprise Funds

Austin Energy and Austin Water Utility
The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 3, 2014, the PUC approved the City's most recent wholesale transmission rate of $1.160111/KW. Transmission revenues totaled approximately $78 million in FY17. 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, 2017, 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 power supply costs differ from amounts billed to customers, then regulatory assets or deferred inflows are recorded by Austin Energy. The power supply factor is reviewed annually or 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 2017, the Airport fund revenues included minimum concession guarantees of $20,253,878.

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, 2017 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2018	$ 26,576
2019	25,268
2020	24,156
2021	24,143
2022	22,535
2023-2027	101,204
2028-2032	16,430
2033-2037	14,858
2038-2042	10,344
Thereafter	4,863
Totals	$ 270,377

12 – SELECTED REVENUES, continued
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
2018	$ 2,635
2019	2,322
2020	2,118
2021	1,775
2022	1,583
2023-2027	7,272
Totals	$ 17,705

13 – TAX ABATEMENTS

The City grants tax abatements as defined in GASB Statement No. 77 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 Development Zone program under which sales, excise, and use taxes may be abated.

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 taxes, sales taxes, 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 salary levels of employees 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 also may be subject to a not-to-exceed maximum of taxes to be abated. All taxes are collected and then rebated if the entity meets commitments made under the agreement. If the criteria are not met, no taxes are refunded.

During fiscal year 2017, the City had four agreements under this program which resulted in rebates that meet the definition of tax abatements of approximately $13.3 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.

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 $28.0 million as of September 30, 2017. The decrease in the pro-rata interest from 2016 is primarily due to a decrease in coal inventory. 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, 2017, Austin Energy's investment in the STP was approximately $380.1 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6). In addition, each participant has the obligation to finance any deficits that may occur.

Each participant appoints one member to the board of directors of STPNOC, as well as one other member to the management committee. A member of the management committee may serve on the board of directors in the absence of a board member. The City's portion of STP is classified as plant in service, construction in progress, and nuclear fuel inventory. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

STP requested a 20-year license 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 a decommissioning liability payable. Excess or unfunded liabilities related to decommissioning STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. The increase to nuclear deferred inflow of resources from prior fiscal year is attributable to the NRC issued license extension in FY17. At September 30, 2017, the trust's assets were in excess of the estimated liability by $55.0 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning trust assets	$ 214,322
Pro rata decommissioning liability	(159,284)
	$ 55,038

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, 2016, showed that the trust assets exceeded the minimum required assurance by $49.0 million.

d -- Purchased Power

Austin Energy has commitments totaling $6.4 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through 2018, biomass through 2032, and solar through 2049.

14 – COMMITMENTS AND CONTINGENCIES, continued
e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Decker Power Plants. At September 30 2017, the financial statements includes a $6.7 million short-term decommissioning liability related to Holly and a $430 thousand short-term environmental liability related to Fayette and Decker, classified as other liabilities. The amount is based on 2017 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- 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, 2017.

g -- Federal and State Financial Assistance Programs

The City participates in a number of federally assisted and state grant programs, financed primarily by the U.S. Housing and Urban Development Department, U.S. Health and Human Services 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.

h -- 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 2017 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	$ 175,819
Public safety	27,935
Transportation	113,821
Public health	5,916
Public recreation and culture	64,551
Urban growth management	22,240
Business-type activities:	
Electric	181,445
Water	120,408
Wastewater	170,867
Airport	417,956
Convention	55,601
Environmental and health services	1,835
Urban growth management	127,762
Total	$ 1,486,156

14 – COMMITMENTS AND CONTINGENCIES, continued
i -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2017, is as follows (in thousands):

	Encumbrances
General Fund	$ 19,487
Nonmajor governmental	
Special Revenue	28,273
Capital Projects	114,915
	$ 162,675

Significant encumbrances include reservations for the 2012 bond program ($30,632), Communications and Technology Management ($19,408), General Government Projects ($15,421), and 2016 Bond Program ($16,549).

j -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery Fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Flooding in fiscal year 2015 has delayed final closure, which is expected in fiscal year 2019. 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, 2017, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 22,500	9,899	32,399
% capacity used	100%	100%	100%
Cumulative liability accrued	22,500	9,899	32,399
Costs incurred	(19,706)	--	(19,706)
Closure and postclosure liability	$ 2,794	9,899	12,693

These amounts are based on the 2017 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

k -- Risk-Related Contingencies

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

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 20% of City employees and 27% of retirees use the HMO option; approximately 72% of City employees and 72% of retirees use the PPO option; and approximately 8% of City employees and 1% 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. Beginning in 2017, third-party claims activities are being reported directly in the Austin Energy, Austin Water Utility, and Aviation 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.

14 – COMMITMENTS AND CONTINGENCIES, continued
k -- Risk-Related Contingencies, continued

The City purchases stop-loss insurance for the City's PPO, HMO, and CDHP plans. This stop-loss insurance covers individual claims that exceed $500,000 per calendar year, up to a maximum of $5 million. In calendar year 2017 (through September 30), four claims exceeded the stop-loss limit of $500,000; during calendar years 2016 and 2015, fifteen claims and ten claims, respectively, exceeded the stop-loss limit of $500,000. City coverage is unlimited for lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage for the last three years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third party liability coverage to contractors working on designated capital improvement project sites.

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 and 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 Utility, 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 $51.7 to $55.7 million. In accordance with GAAP, $51.7 million is recognized as claims payable in the financial statements with $28.8 million recognized as a current liability and $22.9 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. Beginning in fiscal year 2017, the Austin Energy, Austin Water utility, and Airport funds 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.

Changes in the balances of claims liability are as follows (in thousands):

	Austin Energy		Austin Water Utility		Aviation	
	2017	2016	2017	2016	2017	2016
Liability balances, beginning of year	$ --	--	--	--	--	--
Claims and changes in estimates	2,221	--	1,839	--	9	--
Claim payments	(151)	--	(1,277)	--	(8)	--
Liability balances, end of year	2,070	--	562	--	1	--
	Employee Benefits (1)		**Liability Reserve**		**Workers' Compensation**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Liability balances, beginning of year	14,310	13,286	9,364	9,337	25,664	24,841
Claims and changes in estimates	18,568	17,904	3,984	3,929	3,524	4,651
Claim payments	(14,056)	(16,880)	(8,373)	(3,902)	(3,889)	(3,828)
Liability balances, end of year	$ 18,822	14,310	4,975	9,364	25,299	25,664

(1) For the Employee Benefits Fund, claim payments as reported above, represent amounts paid against claims outstanding at the beginning of the year. Claims initiated after the beginning of the year, but not yet settled, are reported in claims and changes in estimates. Cash paid for claims was $161,004 and $160,180 for the years ended September 30, 2016 and 2017, respectively.

The Austin Water Utility Fund claims liability balance at fiscal year-end included liabilities of $216 thousand discounted at 3.75%. The Liability Reserve Fund claims liability balance at fiscal year-end included liabilities of $3.1 million discounted at 3.75% and $3.1 million discounted at 3.19% in 2016.

l -- Redevelopment of Robert Mueller Municipal Airport

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus 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.

14 – COMMITMENTS AND CONTINGENCIES, continued
l -- Redevelopment of Robert Mueller Municipal Airport, continued

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 1.6 million square feet of civic, institutional, hotel and Class A office space and approximately 602,000 square feet of retail space that is either complete or under construction. Over 80 employers provide approximately 5,000 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2017, approximately 1,736 single-family homes and 1,981 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 350 single-family homes.

m -- 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. $1,740,561 in total assessments were levied in the year ended September 30, 2017. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2017 are $14,365,000 and $109,580, respectively.

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. $344,396 in total assessments were levied in the year ended September 30, 2017. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2017 are $2,650,000 and $360, respectively.

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. $1,745,255 in total assessments were levied during the fiscal year with $18,410 in delinquent receivables at September 30, 2017. The aggregate principal outstanding at September 30, 2017 is $11,300,000.

n -- Capital Leases

The City has entered into a lease agreement to finance equipment for business-type activities. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at their inception date. The lease agreement ends in 2031. See Note 6 for the debt service requirements on this lease.

The following summarizes capital assets recorded at September 30, 2017, under capital lease obligations (in thousands):

Capital Assets	Austin Energy
Building and improvements	$ 1,405
Accumulated depreciation	(527)
Net capital assets	$ 878

14 – COMMITMENTS AND CONTINGENCIES, continued
o -- 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, 2017, was $21.9 million.

Fiscal Year Ended September 30	Future Lease Payments
2018	$ 15,132
2019	12,746
2020	8,996
2021	7,345
2022	6,324
2023-2027	9,269
Totals	$ 59,812

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 Utility, Airport, and Liability Reserve funds for claims payable at September 30, 2017. 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, 2017, $66.1 million in housing revenue bonds were outstanding with an original issue value of $74 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport and convention center. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2017, $146.5 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	$ 169,223
Capital assets	214,497
Other noncurrent assets	13,347
Total assets	397,067
DEFERRED OUTFLOWS OF RESOURCES	25,923
LIABILITIES	
Other current liabilities	23,020
Other noncurrent liabilities	204,825
Total liabilities	227,845
DEFERRED INFLOWS OF RESOURCES	231
NET POSITION	
Net investment in capital assets	60,018
Restricted	25,991
Unrestricted	108,905
Total net position	$ 194,914

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

OPERATING REVENUES	
User fees and rentals	$ 40,196
Total operating revenues	40,196
OPERATING EXPENSES	
Operating expenses before depreciation	59,969
Depreciation and amortization	9,071
Total operating expenses	69,040
Operating income (loss)	(28,844)
Nonoperating revenues (expenses)	(6,845)
Transfers	76,299
Change in net position	40,610
Total net position, beginning	154,304
Total net position, ending	$ 194,914

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$ (13,241)
Noncapital financing activities	76,296
Capital and related financing activities	(28,187)
Investing activities	414
Net increase (decrease) in cash and cash equivalents	35,282
Cash and cash equivalents, beginning	122,525
Cash and cash equivalents, ending	$ 157,807

18 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2017, the City issued $63,580,000 of Public Improvement Bonds, Series 2017. The net proceeds of $74,000,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility ($43,000,000), parks and recreation ($15,300,000), and facility improvements ($15,700,000). These bonds will be amortized serially on September 1 of each year from 2018 to 2037. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2018. Total interest requirements for these bonds, at a rate of 5.0%, are $28,965,422.

In October 2017, the City issued $29,635,000 of Certificates of Obligation, Series 2017. The net proceeds of $35,325,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($22,000,000), central library ($5,000,000), animal shelter improvements ($5,425,000), and women and children's shelter ($2,900,000). These certificates of obligation will be amortized serially on September 1 of each year from 2018 to 2037. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2018. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $17,602,222.

In October 2017, the City issued $5,075,000 of Public Property Finance Contractual Obligations, Series 2017. The net proceeds of $5,460,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment ($5,460,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2018 to 2024. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2018. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are $702,034.

In October 2017, the City issued $25,000,000 of Public Improvement Taxable Bonds, Series 2017. The net proceeds of $25,000,000 (after issue costs, discounts, and premiums) from the issuance will be used for affordable housing ($25,000,000). Interest is payable March 1 and September 1 of each year from 2018 to 2037, commencing on March 1, 2018. Principal payments are due September 1 of each year from 2018 to 2037. Total interest requirements for this obligation, at rates ranging from 2.3% to 5.0% are $9,890,858.

b -- Water and Wastewater – System Revenue Bond Issue

In November 2017, the City issued $45,175,000 of Water and Wastewater System Revenue Bonds, Series, 2017A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $42,363,027 will be used to improve and extend the water/wastewater system. The debt service requirements on the bonds are $54,326,741 with interest rates ranging from 0.6% to 2.3%. Interest payments are due May 15 and November 15 of each year from 2018 to 2037. Principal payments are due November 15 of each year from 2018 to 2037.

REQUIRED SUPPLEMENTARY INFORMATION

(In thousands)

General Fund	**Actual**	**Adjustments (1) (2)**	**Actual-Budget Basis**	**Budget Original**	**Budget Final**	**Variance (3) Positive (Negative)**
REVENUES						
Taxes	$ 646,918	100	647,018	650,538	650,538	(3,520)
Franchise fees	36,057	153	36,210	36,717	36,717	(507)
Fines, forfeitures and penalties	13,117	1	13,118	16,209	16,209	(3,091)
Licenses, permits and inspections	61,076	(1)	61,075	50,799	50,799	10,276
Charges for services/goods	59,362	1,266	60,628	60,890	60,890	(262)
Interest and other	15,754	(9,626)	6,128	4,540	4,540	1,588
Total revenues	832,284	(8,107)	824,177	819,693	819,693	4,484
EXPENDITURES						
General government						
Municipal Court	22,386	158	22,544	22,619	22,619	75
Public safety						
Police	340,924	42,103	383,027	386,573	386,573	3,546
Fire	172,320	16,901	189,221	187,208	190,708	1,487
Emergency Medical Services	72,006	10,199	82,205	84,036	84,036	1,831
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	421	(421)	--	--	--	--
Public health						
Health	80,487	2,870	83,357	83,688	83,688	331
Public recreation and culture						
Parks and Recreation	72,452	7,823	80,275	80,829	80,829	554
Austin Public Library	40,276	4,930	45,206	47,167	47,167	1,961
Urban growth management						
Neighborhood Planning and Zoning	38,088	6,865	44,953	45,567	45,567	614
Other urban growth management	32,403	480	32,883	35,244	35,244	2,361
General city responsibilities (4)	104,259	(97,501)	6,758	6,963	6,963	205
Total expenditures	976,022	(5,593)	970,429	979,894	983,394	12,965
Excess (deficiency) of revenues over expenditures	(143,738)	(2,514)	(146,252)	(160,201)	(163,701)	17,449
OTHER FINANCING SOURCES (USES)						
Transfers in	166,688	39,203	205,891	187,296	190,803	15,088
Transfers out	(12,125)	(41,132)	(53,257)	(34,662)	(38,169)	(15,088)
Total other financing sources (uses)	154,563	(1,929)	152,634	152,634	152,634	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	10,825	(4,443)	6,382	(7,567)	(11,067)	17,449
Fund balance at beginning of year	160,989	7,501	168,490	142,590	142,590	25,900
Fund balance at end of year	$ 171,814	3,058	174,872	135,023	131,523	43,349

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.
(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

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 nine separately budgeted funds: the Budgetary General Fund, as budgeted by the City, plus the Budget Stabilization Reserve, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Long Center Capital Improvements, Music Venue Assistance Program, and the Property Tax Reserve 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 ($6,137,157).

b -- Budget Amendments

The original revenue budget of the General Fund was not amended during fiscal year 2017. The original expenditure budget of the General Fund was amended during fiscal year 2017 for the addition of one full time position at the Austin Fire Department ($83,000). This increase was offset by a reimbursement from Aviation. In addition, an increase in expenditures in the Austin Fire Department for the increase in overtime due to staffing shortage. The Budget Stabilization Reserve transferred ($3.5 million) to Austin Fire to fund this additional expense.

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. 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	$ 10,825
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(1,688)
Net compensated absences accrual	300
Outstanding encumbrances established in current year	(16,780)
Payments against prior year encumbrances	12,609
Other	1,116
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 6,382

RETIREMENT PLANS-TREND INFORMATION

Changes in net pension liability for each pension plan for the measurement periods ended December 31, 2014, 2015, and 2016 are presented in the next three schedules:

Schedule of Changes in the City Employees' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
Beginning total pension liability (a)	$ 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 (b)	$ 3,094,056	3,391,796	3,591,376
Beginning total plan fiduciary net position (c)	$ 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 (d)	$ 2,209,800	2,144,804	2,299,688
Beginning net pension liability (a-c)	$ 779,294	884,256	1,246,992
Ending net pension liability (b-d)	$ 884,256	1,246,992	1,291,688
Plan fiduciary net position as a percentage of the total pension liability (d/b)	71.42%	63.24%	64.03%
Covered payroll	$ 514,787	546,058	573,308
City's net pension liability as a percentage of covered payroll	171.77%	228.36%	225.30%

Notes to Changes in the City Employees' Net Pension Liability and Related Ratios

The City Employees' fund had no significant changes of benefit terms in any of the years presented. There were no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2016 or December 31, 2014; however, significant changes to assumptions were made as the result of an experience study of the five years ended December 31, 2015, including:

- Decreasing the inflation assumption from 3.25% to 2.75%,
- Reducing the investment rate of return assumption from 7.75% to 7.5%,
- Decreasing the salary increase assumption from 4.5% to 4.0%,
- Increasing new entrant pay from 3.75% to 4.0%,
- Reducing the assumed retirement rates at most ages to better reflect the emerging trend of members retiring at later ages,
- Lowering termination rates and using a select table based on a three year select period for withdrawal rates, and
- Using the RP-2014 blue collar mortality table for males and females project from 2014 to 2026 using mortality improvement scale BB with a 62% weighting of males and a 38% weighting of females. Previously the RP-2000 white collar mortality tables were used.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Police Officers' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
Beginning total pension liability (a)	$ 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 (b)	$ 971,623	1,028,909	1,106,189
Beginning total plan fiduciary net position (c)	$ 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 (d)	$ 638,019	644,174	686,020
Beginning net pension liability (a-c)	$ 313,890	333,604	384,735
Ending net pension liability (b-d)	$ 333,604	384,735	420,169
Plan fiduciary net position as a percentage of the total pension liability (d/b)	65.67%	62.61%	62.02%
Covered payroll	$ 149,686	152,696	157,303
City's net pension liability as a percentage of covered payroll	222.87%	251.96%	267.11%

Notes to Changes in the Police Officers' Net Pension Liability and Related Ratios

The Police Officers' fund had no significant changes of benefit terms, and no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2015 or December 31, 2014. For the year ended December 31, 2016 there were no changes to benefit terms that affected measurement of the total pension liability; there were, however, the following assumption changes:

- The investment return assumption has been decreased from 7.80% to 7.70% (decreasing 0.30% over the last three years)
- The core inflation rate assumption has been decreased from 3.25% to 3.00%,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25%,
- The assumed rates of salary increase have been amended at most service points, and
- The payroll growth assumption has been increased from 3.50% to 4.00%.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Fire Fighters' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
Beginning total pension liability (a)	$ 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 (b)	861,468	913,618	977,723
Beginning total plan fiduciary net position (c)	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	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 (d)	789,433	785,211	829,610
Beginning net pension liability (a-c)	53,660	72,035	128,407
Ending net pension liability (b-d)	$ 72,035	128,407	148,113
Plan fiduciary net position as a percentage of the total pension liability (d/b)	91.64%	85.95%	84.85%
Covered payroll	84,589	83,979	86,632
City's net pension liability as a percentage of covered payroll	85.16%	152.90%	170.97%

Notes to Changes in the Fire Fighters' Net Pension Liability and Related Ratios

There were no significant assumption or benefit changes or any other significant factors that affected measurement of the total pension liability for the Fire Fighter's Fund during the years ended December 31, 2016, 2015, or 2014.

RETIREMENT PLANS-TREND INFORMATION, continued

Information pertaining to City contributions to the retirement systems for the fiscal year ending September 30, 2017, 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%

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

Valuation 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 - 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	2.75% for 2017 and 2016, 3.25% for 2015
Salary Increases	4.00% to 6.25% for 2017 and 2016, 4.50% to 6.00% for 2015
Investment Rate of Return	7.50% for 2017 and 2016, 7.75% for 2015
Retirement Age	2017 and 2016 - Experience-based table of rates that are gender specific. Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015. 2015 - For previous valuation updated on December 31, 2012 valuation pursuant to an experience study of the 5-year period ending December 31, 2011.
Mortality	2017 and 2016 - 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:	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%
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%

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

Supplementary information for each plan as well as information on where to obtain plan financial statements can be found in Note 7.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

Under GAAP, the City is required to have an actuarial valuation of its other postemployment benefits program every other year. The Schedule of Funding Progress for other postemployment benefits is as follows (in thousands):

Fiscal Year Ended September 30	Valuation Date, October 1	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
		$	$	$		$	
2013	2012	--	1,384,490	1,384,490	0.0%	696,559	198.8%
2015	2014	--	1,449,238	1,449,238	0.0%	775,527	186.9%
2017	2016	--	2,004,664	2,004,664	0.0%	850,259	235.8%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)

Supplementary information for the OPEB plan can be found in Note 8.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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
PUBLIC IMPROVEMENT BONDS,
SERIES 2018

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 legality and validity of the Bonds, which Bonds are issued in the aggregate principal amount of $65,595,000. 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 ordinance of the City authorizing the issuance of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1); however, we express no opinion with respect to any statement of insurance printed on the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and the Bonds constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable property within the City, necessary to pay the interest on and principal of said Bonds, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from 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 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.

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 current outstanding indebtedness of, and assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (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 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,

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
CERTIFICATES OF OBLIGATION,
SERIES 2018

AS BOND COUNSEL for the City of Austin, Texas (the "City"), the issuer of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which Certificates are issued in the aggregate principal amount of $7,140,000. The Certificates bear interest from the date and mature on the dates specified on the face of the Certificates, and are subject to redemption prior to maturity on the dates and in the manner specified on the face of the Certificates, all in accordance with the ordinance of the City authorizing the issuance of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and the Certificates constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable property within the City, necessary to pay the interest on and principal of said Certificates, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City and that the principal of and interest on the Certificates of Obligation are additionally secured by and payable from the surplus revenues received by the City from the operation of the City's solid waste disposal system; provided, that the amount of such pledge of surplus revenues shall not exceed $1,000.00. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates 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 Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates 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 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 Certificates 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 Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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 Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates 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 Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates 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 Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (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 the Service will commence an audit of the Certificates. 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 Certificates as includable in gross income for federal income tax purposes.

Respectfully,

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
PUBLIC PROPERTY FINANCE
CONTRACTUAL OBLIGATIONS,
SERIES 2018

AS BOND COUNSEL for the City of Austin, Texas (the "City"), the issuer of the public property finance contractual obligations described above (the "Contractual Obligations"), we have examined into the legality and validity of the Contractual Obligations, which Contractual Obligations are issued in the aggregate principal amount of $21,215,000. The Contractual Obligations bear interest from the date and mature on the dates specified on the face of the Contractual Obligations, all in accordance with the ordinance of the City authorizing the issuance of the Contractual Obligations (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Contractual Obligations, including one of the executed Contractual Obligations (Contractual Obligation No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Contractual Obligations have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and the Contractual Obligations constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable property within the City, necessary to pay the interest on and principal of said Contractual Obligations, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Contractual Obligations 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 Contractual Obligations are not "specified private activity bonds" and that, accordingly, interest on the Contractual Obligations 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 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 Contractual Obligations 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 Contractual Obligations may become includable in gross income retroactively to the date of issuance of the Contractual Obligations.

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 Contractual Obligations.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Contractual Obligations, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Contractual Obligations 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 Contractual Obligations under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Contractual Obligations 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 Contractual Obligations, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Contractual Obligations and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Contractual Obligations has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (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 the Service will commence an audit of the Contractual Obligations. 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 Contractual Obligations as includable in gross income for federal income tax purposes.

Respectfully,