

OFFICIAL STATEMENT DATED APRIL 14, 2026

New Issues: Book-Entry-Only System

Ratings: Moody's: "A1" (Stable outlook)

S&P: "A+" (Stable outlook)

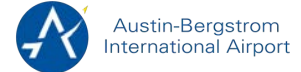
Kroll: "AA-" (Stable outlook)

(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the 2026A Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. Furthermore, under existing law, interest on the 2026B Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code, except for any period during which a 2026B Bond is held by a "substantial user" of the facilities financed or refinanced with the proceeds of the 2026B Bonds or a "related person" to such a "substantial user," each within the meaning of section 147(a) of the Code and (ii) interest on the 2026B Bonds is an item of tax preference for the purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.



CITY OF AUSTIN, TEXAS



\$300,085,000
Airport System Revenue
and Refunding Bonds,
Series 2026A (Non-AMT)

\$850,130,000
Airport System Revenue
and Refunding Bonds,
Series 2026B (AMT)

Dated: May 1, 2026; Interest to accrue from Date of Initial Delivery

Due: As shown on the inside cover pages

The City of Austin, Texas Airport System Revenue and Refunding Bonds, Series 2026A (Non-AMT) (the "2026A Bonds") and the City of Austin, Texas Airport System Revenue and Refunding Bonds, Series 2026B (AMT) (the "2026B Bonds" and, collectively with the 2026A Bonds, the "Bonds"), are limited special obligations of the City of Austin, Texas (the "City"), issued pursuant to ordinances adopted by the City Council of the City on February 26, 2026 (the "Ordinances"). In the Ordinances, the City Council delegated the authority to sell the Bonds to an Authorized Officer (as defined in the Ordinances), subject to the parameters set forth in the Ordinances.

The proceeds of the Bonds of each series will be used for the purposes of (i) designing and constructing improvements to the Austin-Bergstrom International Airport ("AUS" or the "Airport"), as more fully described in "DESCRIPTION OF THE 2026-2030 PROJECT" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) refunding and redeeming, together with other lawfully available funds of the City, all outstanding Subordinate Notes (as defined herein), (iv) funding capitalized interest on the Bonds, and (v) paying certain costs incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCE" and "APPLICATION OF BOND PROCEEDS" in this document.

Interest on the Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from the Date of Initial Delivery (as defined below) and is payable on November 15, 2026 and semiannually thereafter on May 15 and November 15 of each year until maturity or prior redemption. 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. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" in this document.

The Bonds are subject to redemption prior to maturity as more fully described in this document. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

The Bonds, together with the Currently Outstanding Revenue Bonds (defined in this document) and any Additional Revenue Bonds (defined in this document), when and if issued, are limited special obligations of the City payable from, and are equally and ratably secured by, a first lien on the Net Revenues (defined in this document) of the Airport System (defined in this document) and certain funds established by the Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds.** See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS" in this document.

Potential Investors must read this entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Bonds is subject to certain investment considerations. See "CERTAIN INVESTMENT CONSIDERATIONS" in this document.

The Bonds are offered for delivery when, as and if issued, subject to receipt of the opinions of the Attorney General of the State of Texas and Bracewell LLP, Bond Counsel for the City. See "APPENDIX D – FORMS OF BOND COUNSEL'S OPINIONS" in this document. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP, as disclosure counsel to the City, and for the underwriters listed below (the "Underwriters") by their counsel, FBT Gibbons. It is expected that the Bonds will be available for initial delivery to the Underwriters through the facilities of DTC on or about May 5, 2026 (the "Date of Initial Delivery").

Jefferies
HilltopSecurities, Inc.

Loop Capital Markets

J.P. Morgan
Stifel

\$300,085,000
CITY OF AUSTIN, TEXAS
Airport System Revenue and Refunding Bonds, Series 2026A (Non-AMT)

MATURITY SCHEDULE

Base CUSIP No. 052398 ⁽¹⁾

<u>Maturity Date</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u> ⁽²⁾	<u>CUSIP</u> <u>Suffix</u> ⁽¹⁾
2027	\$ 3,085,000	5.000%	2.420%	JT2
2028	15,160,000	5.000%	2.460%	JU9
2029	15,325,000	5.000%	2.560%	JV7
2030	15,490,000	5.000%	2.680%	JW5
2031	15,670,000	5.000%	2.780%	JX3
2032	15,855,000	5.000%	2.910%	JY1
2033	16,055,000	5.000%	2.980%	JZ8
2034	16,260,000	5.000%	3.070%	KA1
2035	16,475,000	5.000%	3.150%	KB9
2036	4,780,000	5.000%	3.260%	KC7
2037	5,020,000	5.000%	3.360%	KD5
2038	5,270,000	5.000%	3.430%	KE3
2039	5,530,000	5.000%	3.560%	KF0
2040	5,810,000	5.000%	3.560%	KG8
2041	6,100,000	5.000%	3.630%	KH6
2042	6,405,000	5.000%	3.710%	KJ2
2043	6,725,000	5.000%	3.840%	KK9
2044	7,060,000	5.000%	3.950%	KL7
2045	7,415,000	5.000%	4.070%	KM5
2046	7,785,000	5.000%	4.200%	KN3
2047	8,175,000	5.000%	4.330%	KP8

\$36,990,000 5.000% Term Bonds maturing November 15, 2051, priced to yield 4.530% ⁽²⁾, CUSIP Suffix KQ6 ⁽¹⁾

\$57,645,000 5.000% Term Bonds maturing November 15, 2056, priced to yield 4.650% ⁽²⁾, CUSIP Suffix KR4 ⁽¹⁾

(Interest to accrue from the Date of Initial Delivery)

Redemption of the Bonds. The Bonds are subject to redemption as described in “DESCRIPTION OF THE BONDS – Redemption of the Bonds” in this document.

- ⁽¹⁾ CUSIP numbers have been assigned to the Bonds by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the City, the Municipal Advisor or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.
- ⁽²⁾ For Bonds maturing on or after November 15, 2036, initial yield priced to November 15, 2035, the first optional call date. See “DESCRIPTION OF THE BONDS – Redemption of the Bonds” in this document.

\$850,130,000
CITY OF AUSTIN, TEXAS
Airport System Revenue and Refunding Bonds, Series 2026B (AMT)

MATURITY SCHEDULE

Base CUSIP No. 052398 ⁽¹⁾

<u>Maturity Date</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u> ⁽²⁾	<u>CUSIP</u> <u>Suffix</u> ⁽¹⁾
2027	\$ 460,000	5.000%	2.830%	KS2
2028	6,150,000	5.000%	2.870%	KT0
2029	6,465,000	5.000%	3.020%	KU7
2030	15,255,000	5.000%	3.110%	KV5
2031	16,035,000	5.000%	3.210%	KW3
2032	16,815,000	5.000%	3.330%	KX1
2033	17,650,000	5.000%	3.380%	KY9
2034	18,540,000	5.000%	3.470%	KZ6
2035	19,465,000	5.000%	3.530%	LA0
2036	20,440,000	5.000%	3.620%	LB8
2037	21,475,000	5.000%	3.690%	LC6
2038	22,540,000	5.000%	3.780%	LD4
2039	23,675,000	5.000%	3.850%	LE2
2040	24,850,000	5.000%	3.930%	LF9
2041	26,090,000	5.000%	3.980%	LG7
2042	27,385,000	5.000%	4.040%	LH5
2043	28,780,000	5.000%	4.140%	LJ1
2044	30,205,000	5.000%	4.220%	LK8
2045	31,715,000	5.000%	4.330%	LL6
2046	33,310,000	5.000%	4.450%	LM4
2047	34,975,000	5.000%	4.580%	LN2
2048	36,715,000	5.250%	4.650%	LP7

\$25,000,000 5.000% Term Bonds maturing November 15, 2051, priced to yield 4.780% ⁽²⁾, CUSIP Suffix LR3 ⁽¹⁾

\$97,035,000 5.250% Term Bonds maturing November 15, 2051, priced to yield 4.730% ⁽²⁾, CUSIP Suffix LQ5 ⁽¹⁾

\$149,105,000 5.000% Term Bonds maturing November 15, 2056, priced to yield 4.880% ⁽²⁾, CUSIP Suffix LT9 ⁽¹⁾

\$100,000,000 5.250% Term Bonds maturing November 15, 2056, priced to yield 4.830% ⁽²⁾, CUSIP Suffix LS1 ⁽¹⁾

(Interest to accrue from the Date of Initial Delivery)

Redemption of the Bonds. The Bonds are subject to redemption as described in “DESCRIPTION OF THE BONDS – Redemption of the Bonds” in this document.

⁽¹⁾ CUSIP numbers have been assigned to the Bonds by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the City, the Municipal Advisor or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.

⁽²⁾ For Bonds maturing on or after November 15, 2036, initial yield priced to November 15, 2035, the first optional call date. See “DESCRIPTION OF THE BONDS – Redemption of the Bonds” in this document.

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

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

THE BONDS 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 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.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. These descriptions and summaries do not purport to be complete and all descriptions, summaries and references are qualified in their entirety by reference to this Official Statement in its entirety and to each document, copies of which may be obtained from the City or from Frasca & Associates, LLC, the Municipal 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.

Certain statements contained in this Official Statement, including the appendices, are not historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed in this document will be achieved, and actual results may differ materially from the forecasts described in this document. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except to the extent expressly required by the City’s continuing disclosure agreement described in this document. See “CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements” in this document.

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

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL, OR STATE SECURITIES AUTHORITY OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References in this document to website addresses are not hyperlinks, and information and representations contained on such websites are not included in or incorporated into this Official Statement. This Official Statement is not to be construed as a contract between the City and Bondholders.

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CITY OF AUSTIN, TEXAS

Elected Officials

	<u>Term Expires Jan. 6</u>
Kirk Watson..... Mayor	2029
Natasha Harper-Madison.....Councilmember District 1	2027
Vanessa Fuentes Councilmember District 2	2029
José Velásquez.....Councilmember District 3	2027
José “Chito” Vela Mayor Pro Tem / Councilmember District 4	2029
Ryan Alter Councilmember District 5	2027
Krista Laine Councilmember District 6	2029
Mike Siegel.....Councilmember District 7	2029
Paige Ellis Councilmember District 8	2027
Zohaib “Zo” Qadri.....Councilmember District 9	2027
Marc Duchon Councilmember District 10	2029

Appointed Officials

T.C. Broadnax	City Manager
Jon Fortune.....	Deputy City Manager
Susana Carbajal.....	Assistant City Manager
Stephanie Hayden-Howard	Assistant City Manager
Michael Rogers	Assistant City Manager
Dr. Eric Johnson.....	Assistant City Manager
Ed Van Eenoo	Chief Financial Officer
Kimberly Olivares.....	Director of Financial Services
Diana Thomas	Deputy Chief Financial Officer
Deborah Thomas	City Attorney
Erika Brady	City Clerk

BOND COUNSEL

Bracewell LLP
Austin, Texas

DISCLOSURE COUNSEL

Orrick, Herrington, & Sutcliffe LLP
Austin, Texas

MUNICIPAL ADVISOR

Frasca & Associates, LLC
Fort Worth, Texas

INDEPENDENT AUDITORS

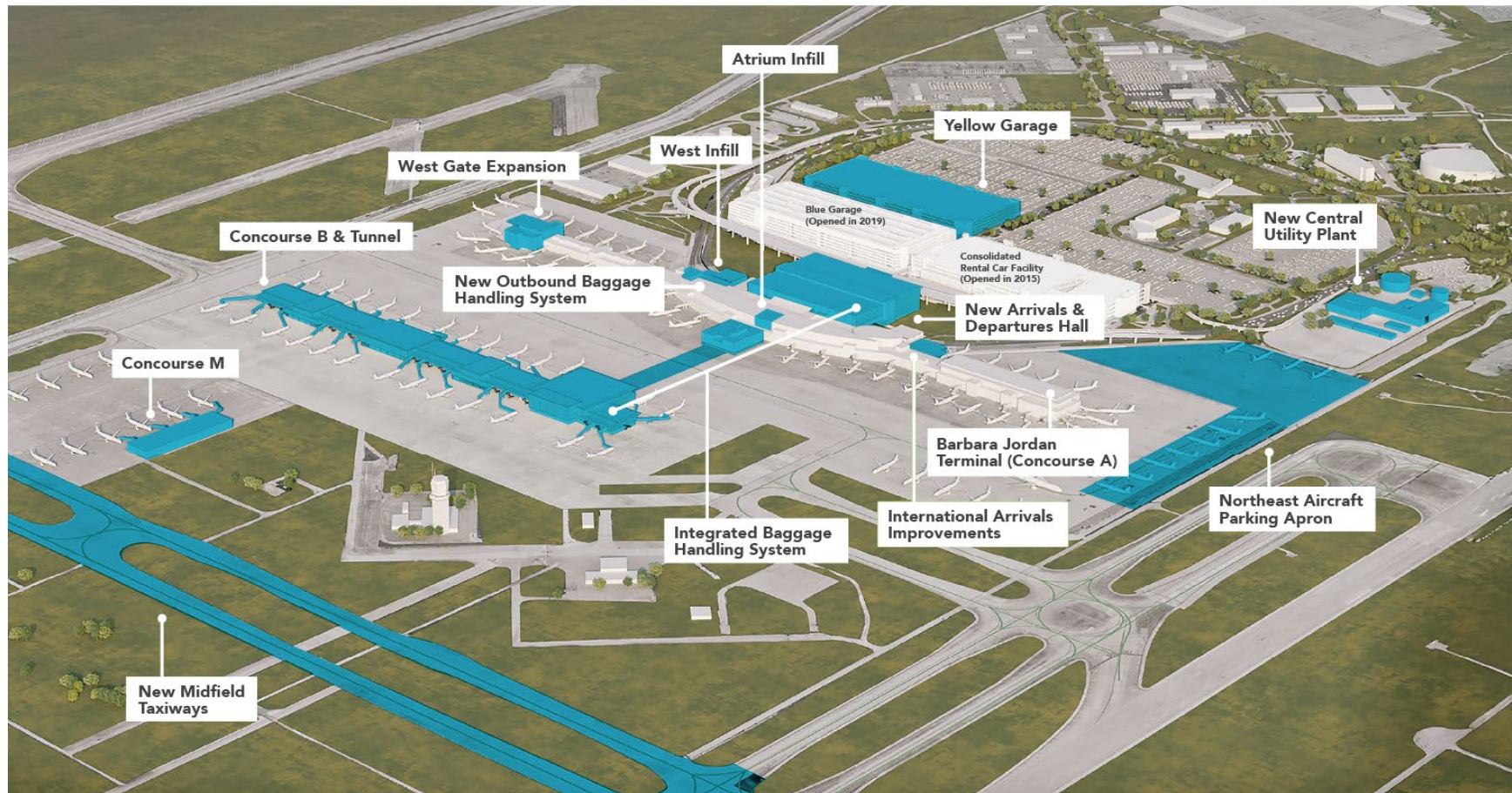
Deloitte & Touche LLP
Austin, Texas

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**Airport Expansion and Development Program and Other Recent Capital Projects
Austin-Bergstrom International Airport**



OFFICIAL STATEMENT

**relating to
CITY OF AUSTIN, TEXAS**

\$300,085,000	\$850,130,000
Airport System Revenue and Refunding Bonds, Series 2026A (Non-AMT)	Airport System Revenue and Refunding Bonds, Series 2026B (AMT)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the appendices to this Official Statement, is to set forth information concerning the City of Austin, Texas (the “City”), the Airport System (as defined in the Ordinances, as defined below), and the City’s Airport System Revenue and Refunding Bonds, Series 2026A (Non-AMT) (the “2026A Bonds”) and Airport System Revenue and Refunding Bonds, Series 2026B (AMT) (the “2026B Bonds” and, collectively with the 2026A Bonds, the “Bonds”). The Bonds are limited special obligations of the City issued pursuant to ordinances adopted by the City on February 26, 2026, authorizing the issuance of each series of the Bonds (the “Ordinances”). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinances. The definitions of certain terms used in the Ordinances and in this Official Statement are included in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions” in this document.

The Bonds are being issued pursuant to the Ordinances, Chapters 1207 and 1371, Texas Government Code, as amended, and Chapter 22, Texas Transportation Code, as amended. In the Ordinances, the City Council delegated the authority to sell the Bonds to an Authorized Officer, subject to the parameters set forth in the Ordinances.

The Bonds, together with the Currently Outstanding Revenue Bonds, are secured by and payable from a first lien on the Net Revenues of the Airport System. Under certain circumstances, the Ordinances permit the issuance of Additional Revenue Bonds that rank on a parity with the Currently Outstanding Revenue Bonds. The Bonds are being issued as Additional Revenue Bonds. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Additional Revenue Bonds” in this document. As defined in the Ordinances, the “Currently Outstanding Revenue Bonds” include the Series 2013 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019A Bonds, the Series 2019B Bonds, the Series 2022 Bonds and the Series 2025 Bonds. For a description of the outstanding principal balances of the Currently Outstanding Revenue Bonds, see “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Outstanding Revenue Bonds” in this document. The Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds are referred to in the Ordinances as the “Revenue Bonds,” and the Ordinances, each ordinance pursuant to which the Currently Outstanding Revenue Bonds were issued and any ordinances pursuant to which any Additional Revenue Bonds are issued, are collectively referred to as the “Revenue Bond Ordinances.”

PLAN OF FINANCE

The proceeds of the Bonds of each Series will be used for the purposes of (i) designing and constructing improvements to the Austin-Bergstrom International Airport (“AUS” or the “Airport”), as more fully described in “DESCRIPTION OF THE 2026-2030 PROJECT” in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) refunding and redeeming, together with other lawfully available funds of the City, all outstanding Subordinate Notes (as defined herein) on the Date of Initial Delivery, by paying the outstanding principal amount thereof and accrued interest thereon due on such date to the Note Purchaser (as defined herein), (iv) funding capitalized interest on the Bonds, and (v) paying certain costs incurred in connection with the issuance of the Bonds. See “APPLICATION OF BOND PROCEEDS” and “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Subordinate Lien Revolving Revenue Notes” in this document.

DESCRIPTION OF THE 2026-2030 PROJECT

The projects described below will be funded in part with the proceeds of the Bonds. In addition, the City currently intends to issue Additional Revenue Bonds in 2027 through 2030, in an aggregate principal amount estimated to be approximately \$4.2 billion, to finance projects described below not financed in full with proceeds of the Bonds or other sources of funding. The projects described below are collectively referred to in “APPENDIX A – THE REPORT OF THE AIRPORT CONSULTANT” (the “Report”) and in this document as the “2026-2030 Project.” The 2026-2030 Project consists of the Airport Expansion and Development Program (“AEDP”). See the “CAPITAL IMPROVEMENT PROGRAM - Airport Expansion and Development Program.”

The projects that are anticipated to be funded with the proceeds of the Bonds include: Concourse A Renovation; Concourse B and Tunnel; Arrivals and Departures Hall; Integrated Baggage Handling Systems; Landside, Parking and Roadways (including Yellow Garage, Surface Parking projects and Terminal Curbside Roadways); Utilities (including Central Utility Plant, Utility Infrastructure Campus-Wide and Planning and Development Building Reconfiguration); and Airfield (including Midfield Taxiways and Apron and Airfield Connectors).

There is no assurance that all of the components of the 2026-2030 Project will be funded in the manner described in this section, if and when the proposed issuances of Additional Revenue Bonds will occur, and whether the amount estimated to be issued as Additional Revenue Bonds will be sufficient to fund the balance of the costs of the 2026-2030 Project not funded with proceeds of the Bonds or other sources of funding. Estimated project costs and funding sources for the 2026-2030 Project are shown in “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A.”

A complete description of the projects comprising the 2026-2030 Project is included in the Report of the Airport Consultant in “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – 2026-2030 PROJECT.”

APPLICATION OF BOND PROCEEDS

The following table sets forth the anticipated application of proceeds of the Bonds.

	<u>2026A Bonds</u>	<u>2026B Bonds</u>
Sources:		
Principal Amount	\$300,085,000	\$850,130,000
Original Issue Premium/(Discount)	<u>24,728,290</u>	<u>44,782,151</u>
Total Sources	\$324,813,290	\$894,912,151
Uses:		
Deposit to the Project Account	\$268,588,915	\$674,180,513
Refunding of Subordinate Notes ⁽¹⁾	25,741,287	34,258,713
Deposit to the Debt Service Reserve Fund	14,265,924	39,304,883
Deposit for Capitalized Interest	14,707,265	142,989,753
Costs of Issuance ⁽²⁾	<u>1,509,899</u>	<u>4,178,288</u>
Total Uses	\$324,813,290	\$894,912,151

(1) Represents the aggregate principal amount of the Subordinate Notes to be redeemed on the Date of Initial Delivery. Accrued interest due on the Subordinate Notes to be redeemed on such date will be paid from other lawfully available funds of the City.

(2) Includes Underwriters’ discount, fees of bond counsel, disclosure counsel, municipal advisor, rating agencies, Paying Agent/Registrar, and certain other bond issuance costs.

Note: Totals may differ due to rounding.

DESCRIPTION OF THE BONDS

General

Each series of Bonds will be issued in the respective aggregate principal amount and at the interest rates and will mature in the amounts and on the dates, as set forth on the inside cover pages of this Official Statement. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from the Date of Initial Delivery (as defined on the front cover page of this Official Statement), and will be payable on November 15, 2026, and on each May 15 and November 15 thereafter (each such date is referred to as an “Interest Payment Date”) until maturity or prior redemption. The Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchases by beneficial owners of the Bonds (the “Beneficial Owners”) are to be made in book-entry form. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System” in this document.

Payment of the Bonds

The principal of the Bonds shall be payable in lawful money of the United States of America at the corporate trust office in Houston, Texas (the “Designated Payment/Transfer Office”) of U.S. Bank Trust Company, National Association (the “Paying Agent/Registrar”), and the interest on the Bonds shall be paid by check or draft mailed, by first-class mail, by the Paying Agent/Registrar to the respective registered owners thereof at their addresses as they appear on the registration books kept by the Paying Agent/Registrar pertaining to the registration of the Bonds on the last Business Day of the month next preceding an Interest Payment Date. In lieu of mailing such interest payment, such other method may be used at the risk and expense of a registered owner, if requested by the registered owner and acceptable to the Paying Agent/Registrar. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with arrangements between the City and the securities depository. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System” in this document.

Redemption of the Bonds

Optional Redemption

The City reserves the right, at its option, to redeem the Bonds of either series maturing on and after November 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on November 15, 2035, or any date thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a series are to be redeemed, the City shall determine the respective series, 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 are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds, or portions thereof, within the maturity and series to be redeemed.

Mandatory Sinking Fund Redemption

The 2026A Bonds having a stated maturity of November 15 in the years 2051 and 2056 (collectively, the “2026A Term Bonds”), are subject to mandatory redemption in part prior to maturity at the redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption on November 15 in each of the years and in principal amounts as follows:

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2026A Term Bond due
November 15, 2051

<u>Year</u>	<u>Principal Amount</u>
2048	\$8,580,000
2049	9,015,000
2050	9,460,000
2051*	9,935,000

2026A Term Bond due
November 15, 2056

<u>Year</u>	<u>Principal Amount</u>
2052	\$10,430,000
2053	10,955,000
2054	11,500,000
2055	12,075,000
2056*	12,685,000

* Stated maturity.

The 2026B Bonds having a stated maturity of November 15, 2051 (5.000% coupon), November 15, 2051 (5.250% coupon), November 15, 2056 (5.000% coupon) and November 15, 2056 (5.250% coupon) (collectively, the “2026B Term Bonds” and, together with the 2026A Term Bonds, the “Term Bonds”), are subject to mandatory redemption in part prior to maturity at the redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption on November 15 in each of the years and in principal amounts as follows:

5.000% 2026B Term Bond due
November 15, 2051

<u>Year</u>	<u>Principal Amount</u>
2049	\$7,930,000
2050	8,320,000
2051*	8,750,000

5.250% 2026B Term Bond due
November 15, 2051

<u>Year</u>	<u>Principal Amount</u>
2049	\$30,705,000
2050	32,325,000
2051*	34,005,000

5.000% 2026B Term Bond due
November 15, 2056

<u>Year</u>	<u>Principal Amount</u>
2052	\$26,980,000
2053	28,335,000
2054	29,765,000
2055	31,225,000
2056*	32,800,000

* Stated maturity.

5.250% 2026B Term Bond due
November 15, 2056

<u>Year</u>	<u>Principal Amount</u>
2052	\$18,010,000
2053	18,945,000
2054	19,940,000
2055	21,010,000
2056*	22,095,000

* Stated maturity.

At least 50 days prior to each mandatory redemption date of a Term Bond, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the stated applicable maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund; provided, that during any period in which ownership of the Term Bonds is determined only by a book entry at a securities depository for the Term Bonds, the particular Term Bonds shall be selected in accordance with the arrangements between the City and the securities depository. The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of like maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

Not less than thirty (30) days prior to a redemption date, 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 to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms and provisions relating thereto contained in the Ordinances. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of its redemption given, then on the redemption date the Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond shall cease to accrue from and after the redemption date of the Bond, 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 by the Paying Agent/Registrar.

Any notice of redemption shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, the place at which Bonds are to be surrendered for payment and, if less than the entire principal amount of a Bond is to be redeemed, the portion thereof to be redeemed. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Bonds have been called for redemption in whole or in part and due provision has been made to redeem them, the Bonds or portions thereof so redeemed shall no longer be regarded as Outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the registered owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

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

Limitation on Transfer of Bonds Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, this limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

Defeasance of Bonds

The Ordinances provide that the City may discharge its obligation to the Owners of any or all of the Bonds of either series to pay Debt Service, or any portion of the Debt Service, by (1) depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or (2) depositing either with the Paying Agent/Registrar or with any other eligible bank or trust company then authorized by State law, pursuant to an escrow or trust agreement, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, will no longer be regarded to be Outstanding or unpaid.

“Defeasance Obligations” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (d) any other then authorized securities or obligations under applicable Texas law in existence on the date the City adopts or approves any proceedings authorizing the issuance of Refunding Revenue Bonds that may be used to defease obligations such as the Bonds. There is no assurance that the ratings for any Defeasance Obligation will maintain any particular rating category. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Discharge by Deposit” in this document.

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 “DESCRIPTION OF THE BONDS - Paying Agent/Registrar” in this document. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Bonds are described in this Official Statement.

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 and the Underwriters believe this information to be reliable, but take 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 Bonds, 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 Bonds), 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 Official Statement. 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 Bonds. The Bonds will be issued as fully-registered Bonds 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 each series of Bonds, 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Paying Agent/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 Bonds within a maturity of a series 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds 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 detailed 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Bonds 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, Bond 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 the Bonds will be printed and delivered to DTC.

Paying Agent/Registrar

Interest on and principal of the Bonds will be payable, and transfer functions will be performed at the Designated Payment/Transfer Office designated to the City by the Paying Agent/Registrar, currently its Houston, Texas corporate trust 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 Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office and any 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 the registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or its designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" above in this document for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS

Pledge of Net Revenues

The Bonds and the Currently Outstanding Revenue Bonds, together with any Additional Revenue Bonds (if and when issued), are secured by and payable from a first lien on the Net Revenues. The City covenants and agrees in the Revenue Bond Ordinances that Gross Revenues shall be deposited and paid into the special funds established and confirmed in the Revenue Bond Ordinances and shall be applied in order to provide for the payment of all Operation and Maintenance Expenses of the Airport System and to provide for the payment of Debt Service on the Revenue Bonds and Credit Agreement Obligations and the payment when due of Administrative Expenses. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Flow of Funds” below in this document.

“Gross Revenues” includes all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. “Gross Revenues” expressly excludes: (a) proceeds of any Revenue Bonds and Subordinate Obligations; (b) interest or other investment income derived from Revenue Bonds and Subordinate Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund; (c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies are received as payments for the use of the Airport System facilities; (d) any revenues derived from any Special Facilities (e.g., customer facility charges) which are pledged to the payment of Special Facilities Bonds; (e) insurance proceeds other than loss of use or business interruption insurance proceeds; (f) the proceeds of the passenger facility charge currently imposed by the City and any other per-passenger charge as may be lawfully authorized; (g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities; (h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes; (i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges are considered Gross Revenues; or (j) Other Available Funds transferred to the Revenue Fund as provided in the Revenue Bond Ordinances.

“Net Revenues” means that portion of Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System. Debt Service is payable prior to the payment of any Administrative Expenses. See “Flow of Funds” below. For the definitions of “Operation and Maintenance Expenses” and “Administrative Expenses,” see “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions” in this document.

The Ordinances do not constitute a mortgage of any of the physical properties forming a part of the Airport System or create any lien thereon or security interest therein. The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State of Texas is pledged as security for the Bonds.

As of the date of this Official Statement, there are no Credit Agreements or Credit Agreement Obligations in effect or outstanding, as applicable; however, the City may enter into Credit Agreements in the future. The City has reserved the right to issue, for any lawful Airport System purpose, obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Subordinate Obligations” below in this document. The City has issued, and reserves the right to issue, additional obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes (“General Obligation Airport Bonds”). General Obligation Airport Bonds may be paid from remaining Net Revenues only after the payment of all Revenue Bonds and Subordinate Obligations. See “APPENDIX C – SUMMARY OF CERTAIN

PROVISIONS OF THE ORDINANCES - Funds and Flow of Funds” in this document. The City has utilized Net Revenues to pay debt service on General Obligation Airport Bonds in the past; however, no General Obligation Airport Bonds are currently outstanding. The City has no present intention of issuing any additional General Obligation Airport Bonds but has reserved the right in the Revenue Bond Ordinances to do so in the future.

Use of Passenger Facility Charges

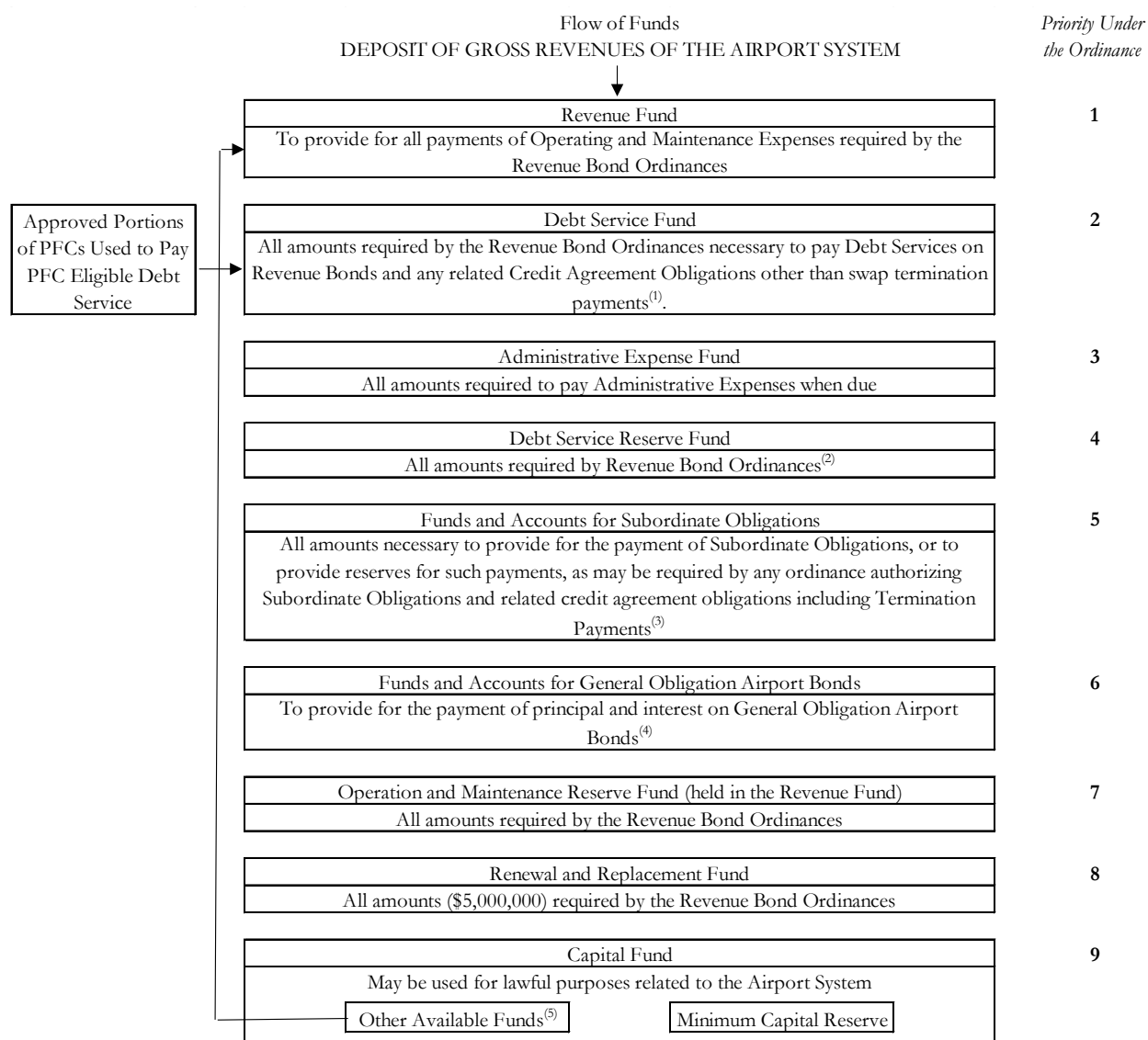
In the Revenue Bond Ordinances, the City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) \$4.50 derived from each passenger facility charge (“PFC”) so imposed and collected by the City for the payment of PFC-eligible debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFCs will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the report from the Airport Consultant) to less than 125%. PFCs are currently being used to pay debt service on Revenue Bonds for PFC-eligible projects that have been approved by the Federal Aviation Administration (“FAA”). See “REGULATION – Passenger Facility Charges” in this document.

The City currently has authority to impose and use PFCs with an estimated collection expiration date of September 2035. The City intends to seek approval from the FAA to use PFCs to pay a portion of the debt service on the Bonds. If approved, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant described above. The City is currently applying PFCs to pay a portion of the debt service on the Currently Outstanding Revenue Bonds. See “CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval,” “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit F” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Use of Passenger Facility Charges” in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Revenue Bond Ordinances, PFCs are expressly excluded from the definition of “Gross Revenues.” Consistent with the definition of “Debt Service Requirements” in the Revenue Bond Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant” and “– Additional Revenue Bonds” in this document and the definition of “Debt Service Requirements” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions” in this document.

Flow of Funds

The Ordinances confirm special funds and accounts previously established, including the Revenue Fund and the other special funds and accounts described below, and provides that such special funds and accounts are to be maintained and accounted for so long as any Revenue Bond and related Credit Agreement Obligation remains Outstanding and Administrative Expenses remain unpaid. The Revenue Bond Ordinances require the City to deposit Gross Revenues as received into the Revenue Fund, and moneys in the Revenue Fund are required to be applied in the manner and order of priority set forth in the Revenue Bond Ordinances and described below. The Revenue Fund (including the Operation and Maintenance Reserve Fund), the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any capitalized interest account in the Construction Fund) are maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts are maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund are maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. For descriptions of the special funds and accounts confirmed by the Ordinances and application of moneys in the Revenue Fund, see “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Funds and Flow of Funds” in this document.



- (1) See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Pledge of Net Revenues" and "– Credit Agreement Obligations" in this document.
- (2) See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Debt Service Reserve Fund" in this document.
- (3) See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Subordinate Obligations" in this document.
- (4) See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Pledge of Net Revenues" in this document.
- (5) See "HISTORICAL FINANCIAL DATA – Table 8 – Historical Debt Service Coverage" and the definition of "Other Available Funds" in APPENDIX C in this document.

Rate Covenant

The City covenants in the Revenue Bond Ordinances that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year, the Net Revenues will be at least sufficient to equal the larger of either (i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or (ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for the Revenue Bonds for the Fiscal Year plus an amount equal to 100%

of anticipated and budgeted Administrative Expenses for the Fiscal Year. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Particular Covenants – Rate Covenant” in this document.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make any recommendations to revise the City’s rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the rate covenant set forth above, so long as Debt Service is paid when due.

For purposes of the rate covenant described above, “Other Available Funds” is defined in the Ordinances as unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of that Fiscal Year to the Revenue Fund; but for purposes of the rate covenant and the determination of whether Additional Revenue Bonds may be issued as described below under “–Additional Revenue Bonds,” in no event may this amount exceed 25% of the Debt Service Requirements for the Revenue Bonds for that Fiscal Year. The City has had a practice of transferring Other Available Funds to the Revenue Fund pursuant to the Revenue Bond Ordinances. See “HISTORICAL FINANCIAL DATA – Table 8 – Historical Debt Service Coverage” in this document.

Debt Service Reserve Fund

The Revenue Bond Ordinances establish a Debt Service Reserve Fund for the benefit of all Revenue Bonds and require that an amount equal to the Debt Service Reserve Fund Requirement be accumulated and maintained therein in accordance with the Revenue Bond Ordinances. The Revenue Bond Ordinances provide that the Debt Service Reserve Fund Requirement shall be computed and recomputed annually as a part of the City’s budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with regulations promulgated under the Internal Revenue Code of 1986, as amended (the “Code”), exceed the least of (a) 10% of the stated principal amount of each issue of which the Revenue Bonds or Additional Revenue Bonds are a part, (b) the maximum annual principal and interest requirements of the issue or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that the additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code and the regulations promulgated under the Code from time to time.

Pursuant to the Revenue Bond Ordinances, Additional Revenue Bonds may only be issued if provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for additional payments into the Debt Service Reserve Fund sufficient to fund an increase, if any, in the Debt Service Reserve Fund Requirement resulting from the issuance of such Additional Revenue Bonds. See “– Additional Revenue Bonds” below in this document.

The Revenue Bond Ordinances provide that the Debt Service Reserve Fund Requirement may be funded by depositing to the Debt Service Reserve Fund either (i) proceeds of the applicable Revenue Bonds or other lawfully appropriated funds or (ii) a Debt Service Reserve Fund Surety Bond. The City may substitute at any time a Debt Service Reserve Fund Surety Bond for the funded amounts in the Debt Service Reserve Fund and apply the funds released to any of the purposes for which the related Revenue Bonds were issued or to pay debt service on the related Revenue Bonds.

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event the Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of that month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly

installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in the Debt Service Reserve Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below this amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in amounts required to restore the Debt Service Reserve Fund to this amount and to pay reimbursement obligations within an 18 month period. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Funds and Flow of Funds – Debt Service Reserve Fund” in this document.

Upon the issuance of the Bonds, the aggregate Debt Service Reserve Fund Requirement will be approximately \$137,538,662. The City will deposit a portion of the proceeds of the Bonds in the Debt Service Reserve Fund to fulfill the Debt Service Reserve Fund Requirement. Upon making this deposit, the Debt Service Reserve Fund will remain fully funded entirely with cash. See “APPLICATION OF BOND PROCEEDS” in this document.

Remedies

If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinances, or the City declares bankruptcy, the registered owners of the Bonds may seek a writ of mandamus to compel the City or City officials to carry out the City’s legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinances and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the courts, but may not be arbitrarily refused.

There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, secured by the Net Revenues of the Airport System. In the proceedings authorizing the issuance of obligations or the execution and delivery of credit agreements, the City, in its sole discretion, may agree to waive sovereign immunity from suit or liability for the purposes of adjudicating a claim to enforce the obligation or credit agreement or for damages for breach of the obligation or credit agreement. However, the City has not waived the defense of sovereign immunity with respect to the Bonds under Chapter 1371. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the State legislature has effectively waived the City’s sovereign immunity from a suit for money damages outside of Chapter 1371, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the 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) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*,” and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent

on the courts to determine whether a function was governmental or proprietary based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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

The Revenue Bond Ordinances provide that in the event of a payment default on any of the Bonds or a default in the performance of any duty or covenant provided by law or in the Revenue Bond Ordinances, the Owner or Owners of any of the Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Bonds, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Revenue Bond Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds provided in the Revenue Bond Ordinances, and the application of such Gross Revenues in the manner required in the Revenue Bond Ordinances. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Particular Covenants" in this document.

Additional Revenue Bonds

The Bonds will be issued as Additional Revenue Bonds, secured by a first lien on and pledge of the Net Revenues on parity with the Currently Outstanding Revenue Bonds.

The Revenue Bond Ordinances provide that the City may issue Additional Revenue Bonds payable from and secured on a parity with the Outstanding Revenue Bonds for any lawful Airport System purpose. However, the City may issue Additional Revenue Bonds only if, among other requirements, the following conditions are satisfied:

(a) The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds;

(b) The City's Chief Financial Officer or trustee, if one has been appointed, certifies that, upon the issuance of Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit and that the Debt Service Reserve Fund will contain the applicable Debt Service Reserve Fund Requirement or the amount as is required to be funded at that time; and

(c) An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three consecutive Fiscal Years beginning in the earlier of:

(i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for the facility or facilities, or

(ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues), are equal to at least 125% of the Debt Service Requirements on all Outstanding Revenue Bonds scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

(d) In lieu of the certification described in paragraph (c) above, the City's Chief Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 125% of the maximum Debt Service Requirements on all Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.

The City will satisfy the requirements of paragraph (c) above in connection with the issuance of the Bonds.

If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year. The City will satisfy the requirements of this paragraph in connection with the issuance of the Bonds.

In addition, Additional Revenue Bonds may only be issued if the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued provide for: (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds; and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by the Revenue Bond Ordinance authorizing such Additional Revenue Bonds. See "– Debt Service Reserve Fund" above in this document.

Additional Revenue Bonds (which may include, without limitation, bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and Credit Agreement Obligations to Credit Providers) may mature on any date or dates over any period of time; bear interest at a fixed or variable rate; be payable in any currency or currencies; be in any denominations; be subject to additional events of default; if bearing interest at a variable rate, may be subject to mandatory tender for purchase; have any interest and principal payment dates; be in any form (including registered, book-entry or coupon); include or exclude redemption provisions; be sold at a certain price or prices; be further secured by any separate and additional security; be subject to optional tender for purchase; and otherwise include such additional terms and provisions as the City may determine, subject to the then-applicable requirements and limitations imposed by State law.

The Revenue Bond Ordinances further provide that the City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Project for which Revenue Bonds have previously been issued ("Completion Bonds"). Prior to the issuance of any series of Completion Bonds the City must provide:

(x) The certifications listed in paragraphs (a) and (b) above;

(y) a certificate of the consulting engineer engaged by the City to design the Project for which the Completion Bonds are to be issued stating that the Airport Project (defined below) has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for such purpose (except as permitted in the applicable ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of such consulting engineer, has been or will be incurred; and

(z) a certificate of the Aviation Director (i) stating that all amounts allocated to pay costs of the Airport Project from the proceeds of the most recent series of Revenue Bonds issued in connection with the Airport Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of the Airport Project; (ii) containing a calculation of the amount by which the aggregate cost of that Airport Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Airport Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Airport Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Airport Project.

"Airport Project" means the Airport or any other Airport System facility or project which is defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds for the purpose of financing the Airport Project.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Additional Bonds" in this document.

Credit Agreement Obligations

Pursuant to the Revenue Bond Ordinances, Credit Agreement Obligations are equally and ratably secured and are on a parity with Revenue Bonds; provided that Termination Payments are payable as Subordinate Obligations.

"Credit Agreement" means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement.

"Credit Agreement Obligations" means any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense.

"Swap Agreement" means a Credit Agreement with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's, and by Standard & Poor's, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

As of the date of this Official Statement, the City does not have any Credit Agreements in effect or outstanding Credit Agreement Obligations and does not currently intend to enter into a Credit Agreement or incur a Credit Agreement Obligation, but the City may enter into Credit Agreements in the future. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Contingent Payment Obligations" below in this document.

Contingent Payment Obligations

The City may enter into contracts and agreements in the course of its business that include an obligation on the part of the City to make payments contingent upon the occurrence or non-occurrence of certain future events, including events that are beyond the direct control of the City. These agreements may include interest rate swap agreements

and other similar agreements, letter of credit and line of credit agreements for advances of funds to the City in connection with its bonds and other obligations, and other agreements. See “– Credit Agreement Obligations” above in this document. The contracts and agreements may provide for contingent payments that may be conditioned upon the credit ratings of the City and/or of the other parties to the contract or agreement, maintenance by the City of specified financial ratios, the inability of the City to obtain long-term refinancing for shorter-term obligations or liquidity arrangements, and other factors. The payments may be payable on a parity with debt service on the Bonds, including any payments made pursuant to a Swap Agreement. The amount of any such contingent payments may be substantial. To the extent that the City does not have sufficient funds on hand to make any such payment, it is likely that the City would seek to borrow such amounts through the issuance of Additional Revenue Bonds or Subordinate Obligations.

Subordinate Obligations

The City has reserved the right to issue or incur, for any lawful Airport System purpose, bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Bonds, Currently Outstanding Revenue Bonds, and any Additional Revenue Bonds. Although such obligations are referred to in the Ordinances as “Subordinate Obligations,” such obligations may bear any name or designation provided by the ordinance authorizing their issuance. Such Subordinate Obligations may be secured by any other source of revenues lawfully available for such purposes. The Revenue Bond Ordinances provide that Termination Payments in connection with Swap Agreements constitute Subordinate Obligations.

Effective February 19, 2025, the City is authorized to issue its Airport System Subordinate Lien Revolving Revenue Notes in an aggregate principal amount not to exceed \$150 million outstanding at any one time, which constitute Subordinate Obligations. For additional information, see “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Subordinate Lien Revolving Revenue Notes” in this document.

Additionally, in connection with the issuance of the Austin-Bergstrom Landhost Enterprises, Inc. Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017, the City incurred a Subordinate Obligation, as further described in “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Subordinate Obligation to Support Austin Airport Hotel Refinancing” in this document.

OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS

Outstanding Revenue Bonds

As of March 1, 2026, the City has total Revenue Bonds outstanding in the amount of \$1,214,705,000. Seven series of Revenue Bonds are outstanding as of March 1, 2026: the Series 2013 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019A Bonds, the Series 2019B Bonds, the Series 2022 Bonds, and the Series 2025 Bonds.

The Series 2013 Bonds are a fixed rate direct placement loan with Prosperity Bank with a final maturity of May 15, 2028. As of March 1, 2026, the outstanding principal amount of the Series 2013 Bonds was \$15,585,000. The Series 2013 Bonds were issued for the purposes of designing and constructing improvements to the Airport, making a deposit to the Debt Service Reserve Fund and paying certain costs of issuance.

The Series 2017A Bonds and the Series 2017B Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2046 for each series. As of March 1, 2026, the outstanding principal amount of the Series 2017A Bonds was \$185,300,000 and the outstanding principal amount of the Series 2017B Bonds was \$129,665,000. The Series 2017A Bonds and the Series 2017B Bonds were issued for the purposes of designing and constructing a new parking garage, expanding the passenger terminal, including the addition of new gates, and replacing or rehabilitating utility systems and other terminal infrastructure, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

The Series 2019A Bonds and the Series 2019B Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2049 for the Series 2019A Bonds and November 15, 2048 for the Series 2019B Bonds. As of March 1, 2026, the outstanding principal amount of the Series 2019A Bonds was \$16,975,000 and the outstanding principal amount of the Series 2019B Bonds was \$228,935,000. The Series 2019A Bonds and the Series 2019B Bonds were issued for the purposes of funding the terminal and apron expansion project that enlarged the adjacent aircraft parking apron and provided nine additional gates, the construction of a new parking garage with approximately 6,000 spaces, the purchase of the Lynxs Cargo Buildings, the construction of a new consolidated Maintenance Facility, the construction of a new information technology building, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

The Series 2022 Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2052. As of March 1, 2026, the outstanding principal amount of the Series 2022 Bonds was \$409,095,000. The Series 2022 Bonds were issued for the purposes of funding a new baggage handling facility at the Airport; design and construction of improvements to the Barbara Jordan Terminal at the Airport, including holdrooms, passenger boarding bridges, and service infrastructure; design and construction of ground holding facilities for busing passengers at the east end of the Barbara Jordan Terminal; design of a future midfield Concourse B terminal; demolition of old buildings and infrastructure on the airfield to remove potential hazards and enable construction on the airfield; construction of cross-midfield taxiways for access to the future midfield Concourse B terminal at the Airport; upgrades to the utility infrastructure on the airside and the South Campus of the Airport; design of a new passenger conveyance and utility tunnel to the future midfield Concourse B from the Barbara Jordan Terminal; and other miscellaneous improvements around the Airport, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

The Series 2025 Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2044. As of March 1, 2026, the outstanding principal amount of the Series 2025 Bonds was \$229,150,000. The Series 2025 Bonds were issued for the purposes of refunding certain then outstanding Revenue Bonds and paying certain costs of issuance.

The following table summarizes the outstanding Revenue Bonds as of March 1, 2026.

Name	Original Amount Issued	Principal Outstanding	Interest Rates of Debt Outstanding	Final Maturity Date
Series 2013 Bonds	\$60,000,000	\$15,585,000	2.25%	5/15/2028
Series 2017A Bonds	185,300,000	185,300,000	5.00%	11/15/2046
Series 2017B Bonds	129,665,000	129,665,000	5.00%	11/15/2046
Series 2019A Bonds	16,975,000	16,975,000	5.00%	11/15/2049
Series 2019B Bonds	248,170,000	228,935,000	5.00%	11/15/2048
Series 2022 Bonds	416,060,000	409,095,000	4.25% - 5.25%	11/15/2052
Series 2025 Bonds	229,150,000	229,150,000	5.00%	11/15/2044
Total		\$1,214,705,000		

Special Facilities Bonds

The City has reserved the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in the Ordinances to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments by Special Facilities lessees and/or other security not provided by the City. The Revenue Bond Ordinances provide that in no event will any Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. The City has issued and there is currently outstanding one series of Special Facilities Bonds, the City of Austin, Texas, Rental Car Special Facility Revenue Refunding Bonds, Taxable Series 2021 (the "Rental Car Special Facilities Bonds"). The Rental Car Special Facilities Bonds are payable only from certain pledged revenues, consisting of rental car daily usage fees charged and collected and to be charged and collected by concessionaire rental car companies using rental car facilities at the Airport pursuant to concession

agreements, any contingent fees payable by concessionaires under such concession agreements, any amounts drawn under separate letters of credit delivered by concessionaires, rental payments for parking garage vehicle staging lanes and staging spaces required pursuant to such concession agreements and investment earnings on such revenues. The Net Revenues of the Airport System have not been pledged, and no other general or special revenues of the Airport System have been pledged, as security for the payment of the Rental Car Special Facilities Bonds. The Rental Car Special Facilities Bonds are not general obligations of the City. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Pledge of Net Revenues” and “AIRPORT REVENUES AND AGREEMENTS – Rental Car Company Agreements” in this document.

Subordinate Lien Revolving Revenue Notes

Effective February 19, 2025, the City is authorized to issue its Airport System Subordinate Lien Revolving Revenue Notes (the “Subordinate Notes”) in an aggregate principal amount not to exceed \$150 million outstanding at any one time, which constitute Subordinate Obligations. The Subordinate Notes are authorized to be issued pursuant to an ordinance adopted by the City Council of the City on January 30, 2025 (the “Note Program Ordinance”), which established the “Note Program” providing for the issuance from time to time of the Subordinate Notes, which are to be purchased by Wells Fargo Bank, National Association (the “Note Purchaser”), pursuant to the terms of a Note Purchase Agreement dated as of February 1, 2025 (the “Initial NPA”), between the City and the Note Purchaser, which by its terms is scheduled to expire on February 18, 2028, unless extended or terminated earlier pursuant to its terms. The Note Program Ordinance authorizes the City to extend the term of the Initial NPA and to enter into additional note purchase agreements at any time to provide for the purchase of Subordinate Notes issued by the City pursuant to the Note Program. Pursuant to the terms of the Note Program Ordinance, the Subordinate Notes may be issued on a tax-exempt or taxable basis and may bear interest at fixed or variable rates of interest, with maturity dates not exceeding 364 days from their initial date of issuance, and the Note Program Ordinance provides for a maximum maturity date of any Subordinate Note of thirty (30) years from the date of the Note Program Ordinance. As of the date of this Official Statement, the City has issued \$60 million in aggregate principal amount of Subordinate Notes with a maturity date of May 29, 2026. All such outstanding Subordinate Notes will be refunded and redeemed in whole (including accrued interest) with a portion of the proceeds of the Bonds and other available funds of the City on the Date of Initial Delivery. See “PLAN OF FINANCE” in this document.

Subordinate Obligation to Support Austin Airport Hotel Refinancing

General

In 1998, the City created Austin-Bergstrom Landhost Enterprises, Inc. (“ABLE”), a non-profit public facility corporation, acting on behalf of the City, to issue revenue bonds (“Airport Hotel Bonds”) to finance the construction and equipping of a hotel at the airport (the “Airport Hotel”).

In 1999, ABLE issued: (1) senior lien Airport Hotel Bonds in the aggregate principal amount of \$38,785,000 secured by a senior lien pledge of hotel revenue, and (2) subordinate lien Airport Hotel Bonds in the aggregate principal amount of \$3,730,000 secured by a subordinate lien pledge of hotel revenue (collectively, the “Series 1999 Airport Hotel Bonds”). The Series 1999 Airport Hotel Bonds were limited obligations payable by ABLE solely from hotel revenue.

Between 2004 and 2018, the operation of the Airport Hotel did not generate sufficient cash flow to pay debt service on the Series 1999 Airport Hotel Bonds when due. The failure to pay debt service when due on the Series 1999 Airport Hotel Bonds was an event of default under the indenture authorizing the issuance of the Series 1999 Airport Hotel Bonds. In 2013, Austin-Bergstrom Acquisitions LLC, an independent entity not affiliated either with the City or ABLE, acquired a majority interest in the Series 1999 Airport Hotel Bonds.

Series 2017 Hotel Bonds

On November 1, 2017, ABLE issued its Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017, in the aggregate principal amount of \$45,600,000 (the “Series 2017 Hotel Bonds”), to effect the redemption and cancellation of the outstanding Series 1999 Airport Hotel Bonds, to finance improvements to the Airport Hotel, to fund a debt service reserve fund for, and to pay costs of issuance of, the Series 2017 Hotel Bonds. The Series 1999

Airport Hotel Bonds are no longer outstanding as of December 1, 2017, and all rights of the holders of the Series 1999 Airport Hotel Bonds have been extinguished. The Series 2017 Hotel Bonds are secured by a pledge of “Net Revenues,” which consist of gross revenues generated by the operation of the Airport Hotel, net of (1) operation and maintenance expenses, (2) administrative fees of the bond trustee, any consultant retained by ABLE in accordance with the proceedings authorizing the issuance of the Series 2017 Hotel Bonds, and ABLE, and (3) repair and replacement fund expenses, all as described in the proceedings authorizing the issuance of the Series 2017 Hotel Bonds. Further, in connection with the issuance of the Series 2017 Hotel Bonds, the City and ABLE entered into an agreement (the “Series 2017 Hotel Grant Agreement”) pursuant to which the City has agreed that, if there occurs a deficiency in the reserve fund securing the Series 2017 Hotel Bonds (the “Series 2017 Hotel Reserve Fund”) resulting from a reduction of the Series 2017 Hotel Reserve Fund to pay current debt service on the Series 2017 Hotel Bonds below the “Senior Debt Service Reserve Fund Requirement” (defined in the Trust Indenture between ABLE and U.S. Bank Trust Company, National Association, as trustee, to mean (a) on November 1, 2017, the average annual principal and interest requirements for the Series 2017 Hotel Bonds and (b) on each Calculation Date (defined to mean October 1, 2022 and each fifth anniversary thereafter while the Series 2017 Hotel Bonds are outstanding), the maximum annual principal and interest requirements for the Series 2017 Hotel Bonds during the next five Fiscal Years following such Calculation Date), the Trustee shall provide to the City a reserve fund deficiency notice, and the City shall determine within 90 days after receipt of such deficiency notice whether surplus revenues held by the City under the terms of the Revenue Bond Ordinances (“Surplus Airport System Revenues”) are sufficient to replenish the Series 2017 Hotel Reserve Fund to the Senior Debt Service Reserve Fund Requirement. If Surplus Airport System Revenues are sufficient, the City will effect a grant to ABLE, and shall transfer Surplus Airport System Revenues to the Trustee within 120 days of its receipt of the debt service reserve deficiency notice, in accordance with the terms of the Series 2017 Hotel Grant Agreement, for deposit to the credit of the Series 2017 Hotel Reserve Fund in an amount equal to such deficiency. The City’s obligation to make any grant payments pursuant to the Series 2017 Hotel Grant Agreement constitutes a Subordinate Obligation, and the sole source of money available to the City to make any such grant payment is Surplus Airport System Revenues. The Series 2017 Hotel Bonds have a final stated maturity date of October 1, 2036.

Grant Payments

Due to the COVID-19 pandemic and its effect on the travel industry, ABLE did not generate sufficient revenues to cover the October 2020 debt service payment due on the Series 2017 Hotel Bonds. Upon written notification from the Trustee of a deficit in the Series 2017 Hotel Reserve Fund, the City, in accordance with the provisions of the Series 2017 Hotel Grant Agreement, replenished the Series 2017 Hotel Reserve Fund, using Surplus Airport System Revenues, to the full extent of the schedule set forth in the Series 2017 Hotel Grant Agreement. As of the date of this Official Statement, the City has provided \$4,834,040.51 in grant payments, using Surplus Airport System Revenues, to ABLE to cover deficits in the Series 2017 Hotel Reserve Fund, as follows:

Series 2017 Hotel Bonds Debt Service Date	Grant Payment from the Airport
10/01/2020	\$ 1,561,040.73
04/01/2021	1,084,391.16
10/01/2021	<u>2,188,608.62</u>
Total	<u>\$ 4,834,040.51</u>

Based on the Fiscal Year 2026 ABLE budget, no additional payments are anticipated towards any deficiency in the Series 2017 Hotel Reserve Fund.

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DEBT SERVICE ON THE REVENUE BONDS

The following table sets forth the annual debt service requirements for the Currently Outstanding Revenue Bonds and the Bonds.

Fiscal Year Ending September 30th	Currently Outstanding Revenue Bonds	Plus: The 2026A Bonds			Plus: The 2026B Bonds			Total Debt Service
		Principal	Net Interest	Total	Principal	Net Interest	Total	
2026	\$ 103,921,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,921,049
2027	93,680,388	-	1,135,181	1,135,181	-	1,100,958	1,100,958	95,916,526
2028	99,008,994	3,085,000	14,505,714	17,590,714	460,000	1,548,913	2,008,913	118,608,620
2029	88,283,775	15,160,000	14,471,000	29,631,000	6,150,000	14,047,124	20,197,124	138,111,899
2030	88,248,275	15,325,000	13,708,875	29,033,875	6,465,000	19,016,500	25,481,500	142,763,650
2031	88,224,900	15,490,000	12,938,500	28,428,500	15,255,000	36,232,597	51,487,597	168,140,997
2032	88,208,900	15,670,000	12,159,500	27,829,500	16,035,000	41,273,500	57,308,500	173,346,900
2033	88,180,900	15,855,000	11,371,375	27,226,375	16,815,000	40,452,250	57,267,250	172,674,525
2034	88,156,400	16,055,000	10,573,625	26,628,625	17,650,000	39,590,625	57,240,625	172,025,650
2035	88,125,525	16,260,000	9,765,750	26,025,750	18,540,000	38,685,875	57,225,875	171,377,150
2036	88,088,400	16,475,000	8,947,375	25,422,375	19,465,000	37,735,750	57,200,750	170,711,525
2037	88,049,775	4,780,000	8,416,000	13,196,000	20,440,000	36,738,125	57,178,125	158,423,900
2038	88,018,775	5,020,000	8,171,000	13,191,000	21,475,000	35,690,250	57,165,250	158,375,025
2039	87,974,525	5,270,000	7,913,750	13,183,750	22,540,000	34,589,875	57,129,875	158,288,150
2040	87,945,650	5,530,000	7,643,750	13,173,750	23,675,000	33,434,500	57,109,500	158,228,900
2041	87,905,400	5,810,000	7,360,250	13,170,250	24,850,000	32,221,375	57,071,375	158,147,025
2042	87,867,025	6,100,000	7,062,500	13,162,500	26,090,000	30,947,875	57,037,875	158,067,400
2043	87,823,275	6,405,000	6,749,875	13,154,875	27,385,000	29,611,000	56,996,000	157,974,150
2044	87,776,650	6,725,000	6,421,625	13,146,625	28,780,000	28,206,875	56,986,875	157,910,150
2045	87,730,988	7,060,000	6,077,000	13,137,000	30,205,000	26,732,250	56,937,250	157,805,238
2046	69,209,075	7,415,000	5,715,125	13,130,125	31,715,000	25,184,250	56,899,250	139,238,450
2047	69,176,419	7,785,000	5,335,125	13,120,125	33,310,000	23,558,625	56,868,625	139,165,169
2048	45,198,631	8,175,000	4,936,125	13,111,125	34,975,000	21,851,500	56,826,500	115,136,256
2049	45,194,556	8,580,000	4,517,250	13,097,250	36,715,000	20,013,356	56,728,356	115,020,163
2050	44,994,156	9,015,000	4,077,375	13,092,375	38,635,000	18,045,331	56,680,331	114,766,863
2051	27,597,538	9,460,000	3,615,500	13,075,500	40,645,000	15,984,544	56,629,544	97,302,581
2052	27,592,919	9,935,000	3,130,625	13,065,625	42,755,000	13,816,631	56,571,631	97,230,175
2053	27,597,981	10,430,000	2,621,500	13,051,500	44,990,000	11,557,988	56,547,988	97,197,469
2054	-	10,955,000	2,086,875	13,041,875	47,280,000	9,205,044	56,485,044	69,526,919
2055	-	11,500,000	1,525,500	13,025,500	49,705,000	6,731,813	56,436,813	69,462,313
2056	-	12,075,000	936,125	13,011,125	52,235,000	4,132,125	56,367,125	69,378,250
2057	-	12,685,000	317,125	13,002,125	54,895,000	1,399,994	56,294,994	69,297,119
	<u>\$2,149,780,844</u>	<u>\$300,085,000</u>	<u>\$214,206,894</u>	<u>\$514,291,894</u>	<u>\$850,130,000</u>	<u>\$729,337,416</u>	<u>\$1,579,467,416</u>	<u>\$4,243,540,152</u>

Note: The above table excludes Subordinate Obligations and amounts are net of capitalized interest. Fiscal Year 2026 amount includes amounts paid on November 15, 2025.

THE AIRPORT SYSTEM

The Airport System is comprised of airport, heliport and aviation facilities or any interest therein owned, operated or controlled in whole or in part by the City and, as defined in the Revenue Bond Ordinances, includes Austin-Bergstrom International Airport, but expressly excludes any heliport or heliports operated by City departments other than Austin Aviation, previously known as the Department of Aviation, and also excludes the Mueller Airport Property and the Austin consolidated rental car facility, which was constructed by the City with proceeds of special facility revenue bonds. AUS is classified by the FAA as a large hub airport and, according to the United States Department of Transportation (the “U.S. DOT”), is the 29th busiest airport in the United States based on total passengers in calendar year 2024. According to the FAA, the Airport was the second fastest growing large hub airport in the United States between 2019 and 2024.

AUS opened in 1999 at the site of the former Bergstrom Air Force Base, replacing Robert Mueller Municipal Airport. The 700-acre Mueller Airport site, approximately three miles from downtown Austin, has been redeveloped as a mixed-use urban community by the City under a public-private partnership agreement. The Mueller Airport property has no aviation facilities and is not part of the Airport System.

AUS occupies a 4,242-acre site approximately eight miles southeast of downtown Austin. Airport access is provided by Texas State Highway 71 (SH 71), a six-lane divided highway running east-west, and U.S. Highway 183 (US 183), a six-lane divided highway running north-south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west.

Airport Facilities

The Airport’s two parallel north-south runways, designated 18L-36R and 18R-36L, are 9,000 feet and 12,250 feet long, respectively, 150 feet wide, and capable of accommodating all aircraft now in commercial service. The runways are separated by 6,700 feet, allowing their use for the simultaneous arrival of aircraft in virtually all-weather conditions.

The Barbara Jordan Terminal currently is 1,196,000 square feet and contains four levels.

Level 1, the baggage claim level, provides 173,000 square feet of space for baggage claim devices, lobby, and support facilities. The baggage claim level accommodates a 39,000-square-foot Customs and Border Protection (“CBP”) facility for the processing of arriving international passengers.

Level 2, the apron level, provides 395,000 square feet of space for inbound and outbound baggage handling equipment and facilities, airline operations space, and other non-public areas. The apron level also provides a passenger holdroom for the ground-level loading of regional airline aircraft (Gate 13). The aircraft parking apron adjacent to the terminal provides approximately 96 acres for aircraft parking at the 33 loading bridge-equipped terminal gates, as well as five remain overnight (“RON”) aircraft parking positions.

Level 3, the concourse level, provides 468,000 square feet of space for airline check-in counters with lobby and queuing areas, airline offices, public circulation areas, passenger security screening facilities, concessions, passenger holdrooms, restrooms, and supporting facilities. The concourse provides 33 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service. Four gates can accommodate domestic and international widebody aircraft. These four widebody gates, as well as two of the narrowbody gates, provide access to the CBP facility.

Level 4, the mezzanine level, provides 145,000 square feet of space for Austin Aviation and other offices and for airline club rooms. Above the mezzanine level is a 7,000-square-foot penthouse level with mechanical rooms.

The Airport closed its 30,000 square-foot, three aircraft gate South Terminal on March 31, 2026 and relocated the airlines operating from the South Terminal to the Barbara Jordan Terminal to facilitate construction of new airfield

infrastructure for the midfield concourse. See “CAPITAL IMPROVEMENT PROGRAM” in this document for more information on the planned midfield concourse.

Approximately 16,000 public parking spaces are currently provided on Airport property in the three-level parking Red Garage adjacent to the Barbara Jordan Terminal, the Blue Garage, and in surface lots served by shuttle buses. The combined parking garages provide approximately 9,000 spaces for long-term, short-term, and valet public parking. The first level of the Red Garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the Red Garage is at the same level as the departures roadway and concourse level of the terminal. The Blue Garage is adjacent to the consolidated rental car facility (the “CONRAC”) and the Red Garage and provides walking access to the Barbara Jordan Terminal via a walkway at the same level as the departures roadway. A new seven-level parking garage (the “Yellow Garage”) providing approximately 7,000 public parking spaces is being constructed as part of the AEDP at the Lot B site north of the Blue Garage. Following the opening of the Yellow Garage, the Red Garage will close and be demolished.

The CONRAC garage provides 1,840 ready-return spaces. The CONRAC garage was financed with the proceeds of Special Facilities Bonds payable primarily from customer facility charges (“CFCs”), and parking garage rental fees and concession fees. See “OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Special Facilities Bonds” above in this document and “AIRPORT REVENUES AND AGREEMENTS – Rental Car Company Agreements” below in this document.

Other facilities at the Airport include air cargo and general aviation facilities and facilities for Texas Department of Transportation flight services, Texas Air National Guard, an FAA terminal radar approach control facility, aviation support facilities (including fuel storage, maintenance, in-flight catering services and Austin Aviation operations, maintenance and engineering facilities), and non-aeronautical facilities.

AIRPORT MANAGEMENT

Austin Aviation is a department within the City. See “THE CITY” in this document. The operations of Austin Aviation are managed by the Chief Executive Officer, Airport Operations who is appointed by the City Manager. The Chief Executive Officer sets rates and charges for the Airport. Biographical information concerning the Chief Executive Officer and other key employees of Austin Aviation is provided below.

Ghizlane Badawi, Chief Executive Officer, Airport Operations. Mrs. Badawi joined Austin-Bergstrom International Airport in 2008 and has held many positions at AUS, including Administrative Officer, Deputy Chief Operating Officer, Chief Operating Officer and Chief Experience and Performance Officer. She holds a Bachelor’s degree in Business Administration, with a major in Finance and a minor in International Business, and a Master’s degree in Business Administration. Mrs. Badawi participates in various professional networks and associations, such as the Risk and Insurance Management Society (RIMS) and Airport Council International (ACI). As the Chief Executive Officer, Airport Operations, Ms. Badawi serves as the “Aviation Director” under the terms of the Ordinances and the Revenue Bond Ordinances.

Tracy Thompson, Esq., Airport Chief Officer, Business and External Affairs. Ms. Thompson is a licensed attorney in Texas and has more than 30 years of experience in airport management, airline management, and airport/aviation/transportation consulting practices. Prior to her position at AUS, she held senior management and executive positions at American Airlines, Dallas Fort Worth International Airport, and Jacobs/LeighFisher. She has broad experience and expertise in the overall airport business management and revenue generation programs for airport operators. These programs include strategic business, financial and operating plans, airline affairs, regulatory and external stakeholder engagement and compliance matters, strategies for and negotiation of complex business initiatives. She also has coordinated major capital development programs, new airport commercial revenue initiatives, and airport programs related to internal business best practices and compliance. She earned B.B.A. and J.D. degrees from Southern Methodist University and is a Certified Member of the American Association of Airport Executives.

Shane Harbinson, Chief Development Officer, Planning & Engineering. Mr. Harbinson is responsible for Airport planning, development and environmental services. Mr. Harbinson has served in airport positions at Minneapolis St. Paul International Airport, Midland International Airport in Midland, Texas and San Antonio International Airport. Since coming to the City in 1999, he has served as Operations Coordinator, Noise Abatement Officer, Airport Planner,

Manager of Airport Operations, Assistant Director of Operations and Security, and now Chief Development Officer. He is a graduate of Saint Cloud State University, Saint Cloud, Minnesota, with a Bachelor of Science degree in Aviation. He is active in the American Association of Airport Executives and Airport's Council International.

Towanda Cordon, Chief Operating Officer, Airport Operations. Ms. Cordon is responsible for Airport operations, security, maintenance, and guest services. She has been employed by Austin Aviation for over twenty years, serving as Airport Police Officer, Security Coordinator, Operations Manager, Operations Chief, Deputy Chief of Operations and now Chief Operating Officer. She holds a Bachelor's degree in Criminal Justice from Athens University, Athens, Alabama, and a Master's degree in Public Administration from Sam Houston State University, Huntsville, Texas. She is a veteran of the United States Army and has over thirty years of operations experience.

Rajeev Thomas, Chief Financial Officer. Mr. Thomas joined AUS in 2017 and currently oversees the organization's financial short-term and long-term planning, development and monitoring of operating and capital budgets, accounting, securing funding, airline rate-setting and the Airport's relationships with lending institutions, bondholders, and financial institutions. Prior to joining AUS, he was Finance Director with Charter Communications (Time Warner), Assistant Controller with an Instinet Corporation subsidiary and Motorola. He holds a Bachelor's degree in Finance from the University of Illinois, Chicago and has 30 years of financial experience.

Jamy Kazanoff, AUS Deputy Chief Air Service. Ms. Kazanoff is responsible for air service development for AUS. She oversees the air service development and retention function and serves as the point of contact with Austin-area businesses and tourism stakeholder groups. She has been employed by Austin Aviation for 28 years. Ms. Kazanoff has over 30 years of marketing and business development experience, serving in account executive positions with advertising agencies in the private sector. She is actively involved in ACI's International Air Service Committee, serving as Chairwoman in 2016. She is also active in ACI's Marketing and Communications Program, and a former Chairwoman for the group; the Austin Airport Task Force; and Austin Global Business Travel Association. She is a graduate of the University of Texas at Austin with a Bachelor of Journalism degree, Public Relations.

Lyn Estabrook, Airport Deputy Chief, Planning, Development & Engineering. Mrs. Estabrook is responsible for leading the capital infrastructure and development at the Airport, which includes the Project Implementation Division, Project Management Office, Airport Design Management team, Airport Planning Team, and the Environmental Affairs Division. Mrs. Estabrook has over 26 years of experience in planning, sustainability, design, and construction and over 10 years of experience in aviation. Mrs. Estabrook has served in development, design, construction, and Environmental positions in Texas before joining the City in 2008. Since coming to the City, she has served with three other departments and joined the Airport in 2015. Since coming to the Airport she has overseen the 2040 Master Plan, the building of over \$1.1 billion in development projects; including the 9 Gate Expansion, Blue Garage, Administration Building, Airfield Expansion, IT Building, Central Maintenance Facility, and numerous Capital Improvement Projects and tenant projects. She graduated from Cornell University, Ithaca NY, with a Bachelor of Architecture degree with a Planning minor. She is a licensed Architect with Project Management Professional Certification (PMP).

Rick Belliotti, Acting Chief Performance and Experience Officer/Deputy Chief – Information Technology. Mr. Belliotti has worked in various capacities in the aviation industry since 2001, as a consultant, an airport operator, and a solution provider. Prior to joining the City of Austin, Mr. Belliotti served as CIO at San Diego International Airport, and led various departments, including IT, business development, small business development, and the arts program. Mr. Belliotti was instrumental in bringing to life the Airport Innovation Lab at San Diego, enabling innovators to create solutions for the airport industry, and forever changing the way that innovation was done in airports.

Brian L. Long, P.E., Airport Deputy Chief – Infrastructure. Mr. Long is responsible for leading the capital infrastructure management and delivery team and the asset management, purchasing and warehouse teams within the Development Program Area. He joined the City in May 2009 with Austin Water, the City's water and wastewater utility, before becoming the City's Capital Project Systems Officer in 2017, which led to his current position with AUS at the beginning of 2020. His experience includes capital improvement program (CIP) management, business intelligence system integration, utility infrastructure engineering, asset management, GIS development, computer modeling, systems planning, infrastructure management, finance, and engineering & construction project, program and portfolio management. Prior to joining the City, he worked for the City of Houston, Lockwood, Andrews &

Newnam, Inc., TxDOT, and other consulting firms. He earned his Bachelor of Science in Civil Engineering from the University of Texas at Austin and holds a Professional Engineer license.

Loren Lintner, Deputy Chief – Operations. Mr. Lintner is an experienced airport management professional with over 28 years of leadership in airport operations, regulatory compliance, airfield construction, and stakeholder relations. He has held key roles at Dallas/Fort Worth International, Burbank, and Austin-Bergstrom International Airports. Mr. Lintner joined the AUS Team in January 2007 and currently leads Airside Operations (including Ramp Control, SMS, Resource Management), Terminal Operations (including Communications, Airport Duty Managers), Field Maintenance (including Motor Pool/Sign Shop, Facility Services), and Emergency Management. He has been involved in Leadership Burbank, the American Red Cross of Central Texas, and mentoring at-risk students. He holds a B.S. in Airway Science from the University of Central Texas.

Jason Alexander, Deputy Chief – Airport Affairs. Mr. Alexander currently oversees the department's Airport Affairs Division and is responsible for developing and supporting the department's local, state, and federal government affairs efforts. This includes serving as the staff liaison to the Airport Advisory Commission and regularly liaising with the City Manager's Office, Mayor and City Council, members of the state and federal delegations, and numerous other government and non-government partners on behalf of the Airport. He also oversees the department's risk and record management functions. Mr. Alexander joined Austin Aviation in March 2023, but has enjoyed a 20+ year career at the City of Austin. His work experience spans multiple city departments and serving in numerous roles. Most recently, he served as Chief of Staff to the City Manager and was a member of the City's executive management team. Mr. Alexander holds a Bachelor of Business Administration degree from the University of Texas at Austin and a Master of Public Administration degree from Texas State University. He also obtained a Master's Certificate in Project Management from George Washington University and successfully completed the Texas Municipal League Leadership Academy. Jason is a long-serving member of the Texas City Management Association and International City/County Management Association.

Anupa Gharpurey, Deputy Chief – Finance. Ms. Gharpurey has over 20 years of accounting and finance experience in public and private sectors. Her experience in private sector is in international corporate finance and hedge fund operations. After joining the City of Austin in 2011, Ms. Gharpurey served various roles in several departments including Austin Public Health, Financial Services, and Austin Water, ultimately leading up to the position of Assistant Director of Business Enterprises at Austin Watershed Protection. She recently joined AUS and currently oversees the Airport's Annual budget development, Rates and charges, Debt management, and Accounts payables. She holds a Bachelor's degree in Economics from St. Stephen's College in Delhi, India, a Master's degree in Law from the University of California at Berkeley, and a Master's in Business Administration from Texas Christian University. Ms. Gharpurey is a Certified Public Accountant in Texas and a member (inactive) of the State Bar of California.

Samantha Haynes, Deputy Chief – Strategy and Stakeholder Relations. Ms. Haynes oversees strategic planning, communications, marketing, talent acquisition, community engagement and supports stakeholder relations. She serves as the chief spokesperson for the organization and oversees all aspects of the AEDP comprehensive communications and outreach program that supports the Airport's expansion efforts. She is a third-generation aviation industry professional and holds degrees from St. Edward's University and Texas A&M University's Bush School of Government and Public Service. She joined Austin Aviation in 2020 and has over a decade's worth of experience in public sector strategic communications, policy analysis, stakeholder outreach and community engagement.

Lorie Harbour, Acting Deputy – Security. Ms. Harbour is responsible for overseeing public safety and security operations, maintaining the security integrity of the airport, and ensuring compliance with Transportation Security Administration (TSA) directives and Airport Security Program requirements at AUS. Ms. Harbour has more than 25 years of experience in the aviation industry, having worked across both airline and airport operations. She joined AUS in 2016 and has held several leadership roles, including Airport Duty Manager, Airport Security Coordinator, and Airport Security Manager, before assuming her current role. Ms. Harbour holds a Bachelor's degree in business management with a concentration in Operations and Logistics from Southern New Hampshire University.

Benny VandenAvond, Airport Deputy Chief – Enterprise Risk Management & Safety. Mr. VandenAvond joined AUS in 2025 and is responsible for the airport's enterprise risk management, occupational health and safety, and commercial insurance efforts, which includes a new Rolling Owner Controlled Insurance Program (ROCIP) for the AEDP. Mr. VandenAvond comes to Aviation with over 20 years of experience leading risk management, insurance,

and safety efforts at the Texas State Office of Risk Management (SORM), The University of Texas System, and most recently the City of Austin where he served as Insurance Manager. He has successfully managed six ROCIP programs during his career and delivered over \$8 billion of construction projects safely. He holds a Bachelor's degree in Risk Management & Insurance from the University of Wisconsin - Madison and is active in the Public Risk Management and Insurance Association (PRIMA), Risk and Insurance Management Society (RIMS), and ACI.

AIRPORT SERVICE REGION

Primary Service Region

The Airport's primary service region is the 4,220-square-mile, five-county Austin-Round Rock-San Marcos Metropolitan Statistical Area (the "MSA"). According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA as of 2024 was 2,551,000, compared to 2,300,000 as of 2020.

The Airport primarily serves origin and destination ("O&D") passengers. It is estimated that O&D passengers accounted for approximately 89.2% of enplaned passengers in the City's Fiscal Year ended September 30, 2025, and the remaining 10.8% were connecting passengers. Approximately 95.1% of enplaned passengers in Fiscal Year 2025 were domestic passengers and approximately 4.9% were international passengers. Approximately 53% of the O&D enplaned passengers live in the Airport's primary service region, and approximately 47% are visiting the service area. See "AIRPORT SERVICE REGION" and "AIRPORT ACTIVITY" in this document

In general, the population and economy of an airport's service region are the primary determinants of passenger and cargo traffic through an O&D airport.

Nearest Large and Medium Hub Airports

The Airport's secondary service region is defined by the location of (and airline service provided at) the nearest commercial service airports. The nearest airports classified as large or medium hub airports by the FAA are those serving San Antonio (San Antonio International, a medium hub airport approximately 80 road miles to the southwest of the Airport), Houston (approximately 160 road miles to the east served by Houston Bush Intercontinental, a large hub, and Houston Hobby, a medium hub) and Dallas-Fort Worth (approximately 220 road miles to the north served by DFW International, a large hub, and Dallas Love Field, a medium hub).

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AIRPORT ACTIVITY

Table 1 summarizes growth in the numbers of passenger enplanements at the Airport and the growth in enplanements per departures from the Airport's Fiscal Years 2016 through 2025. Passenger enplanements for Fiscal Years 2020 and 2021 were adversely impacted by the COVID pandemic, consistent with impacts on air travel throughout the United States. However, passenger enplanements subsequently rebounded, exceeding the pre-COVID Fiscal Year 2019 level by 26% in Fiscal Year 2025. As shown in Table 1, passenger enplanements in Fiscal Year 2025 decreased by 2.8% as compared to enplanements in Fiscal Year 2024.

Table 1
Historical Airline Traffic
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Fiscal Year	Enplaned Passengers	Annual Percent Increase (Decrease)	Aircraft Departures*				Passengers Enplaned per Departure
			Passenger Departures		Cargo Departures		
			Annual	Daily	Annual	Daily	
2016	6,180,464	6.7	56,349	154	2,936	8	104
2017	6,729,108	8.9	58,503	160	3,065	8	109
2018	7,739,811	15.0	65,000	178	3,067	8	119
2019	8,464,615	9.4	68,197	187	3,050	8	124
2020	4,723,544	(44.2)	46,830	128	3,246	9	101
2021	5,207,769	10.3	49,277	135	3,744	10	106
2022	10,133,735	94.6	89,451	245	4,030	11	113
2023	10,960,717	8.2	95,130	261	4,166	11	115
2024	11,006,681	0.4	92,319	253	4,253	12	119
2025	10,704,416	(2.8)	89,795	246	3,919	11	119

Note: Calculated percentages may not match those shown because of rounding.

*The format of the table has been changed from prior years to show the passenger and cargo aircraft departures separately. Due to the format change, starting in fiscal year 2018, passengers enplaned per departure is now calculated based on passenger departures only.

Source: City of Austin, Austin Aviation records.

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Table 2 presents the U.S. and foreign-flag airlines providing scheduled passenger service and cargo service at AUS. Porter Airlines is scheduled to begin year-round service at the Airport to Toronto-Pearson International in May 2026; Cayman Airways is scheduled to start seasonal service at the Airport to Grand Cayman in May 2026; and Viva is scheduled to begin seasonal service to Mexico City in June 2026.

Table 2
Airlines Serving Austin-Bergstrom International Airport (a)

U.S. Passenger Airlines (b)	Foreign-flag Airlines	Cargo Airlines (c)
Alaska Airlines (d)	Aeromexico	ABX Air
Allegiant Air (e)	Air Canada	Air Transport International
American Airlines	British Airways	Atlas Air
Delta Air Lines	Copa Airlines	Baron Aviation Services
Frontier Airlines	KLM	FedEx
JetBlue Airways	Lufthansa	Kalitta Charters
Southwest Airlines	Viva	Sun Country Airlines (e)
Spirit Airlines	WestJet	United Parcel Service (UPS)
Sun Country Airlines (e)		
United Airlines		

(a) Excludes code shares, diversions and charters.

(b) Excludes regional carriers that operate as affiliates of mainline carriers.

(c) Excludes cargo airlines that do not provide regular services at the Airport.

(d) Includes Hawaiian Airlines.

(e) On January 11, 2026, Allegiant announced its plans to acquire Sun Country Airlines.

Source: City of Austin, Austin Aviation records.

Table 3 presents the airlines' shares of enplaned passengers at AUS for Fiscal Years 2016 through 2025.

Table 3
Airline Market Shares
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

<u>Airline</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Southwest	38.4 %	37.7 %	35.7 %	34.6 %	33.7 %	34.1 %	37.6 %	38.2 %	41.0 %	41.0 %
Delta	12.0	12.5	13.2	13.3	13.0	13.6	11.7	12.0	14.5	17.1
American	20.4	19.3	17.9	18.0	19.3	22.1	26.3	24.3	21.0	16.8
United	15.7	16.1	15.2	14.5	13.4	12.4	10.6	11.2	11.5	12.5
Alaska Airlines (a)	1.7	1.9	3.2	3.6	4.0	5.3	4.7	4.6	3.8	3.5
Frontier	2.5	3.3	6.4	5.5	4.2	2.0	0.7	0.5	0.7	2.2
Spirit (b)	-	-	-	3.2	6.0	4.9	2.7	3.7	1.7	1.6
British Airways	1.0	0.9	1.0	1.1	0.8	-	0.6	0.8	0.9	1.1
Allegiant Air	1.3	1.8	1.9	1.2	1.1	1.6	2.0	1.8	1.5	1.0
Air Canada	0.3	0.3	0.3	0.4	0.3	-	0.3	0.3	0.6	0.6
Aeromexico	0.0	0.2	0.3	0.3	0.3	0.1	0.3	0.3	0.3	0.5
Lufthansa	-	-	-	0.2	0.4	-	0.2	0.3	0.4	0.5
Jet Blue	4.5	4.4	3.8	3.3	3.2	3.6	1.9	1.3	1.1	0.4
KLM	-	-	-	-	-	-	0.2	0.3	0.3	0.4
Copa	-	-	-	-	-	-	-	0.1	0.3	0.3
Viva	-	-	-	-	0.0	-	-	0.0	0.1	0.2
WestJet	-	-	-	0.1	0.0	-	-	0.0	0.1	0.1
Sun Country	0.0	0.0	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Other	2.0	1.5	1.0	0.5	0.1	0.0	0.1	0.3	0.1	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(a) Includes Hawaiian Airlines.

(b) See "CERTAIN INVESTMENT CONSIDERATIONS - Factors affecting the Airline Industry - Effect of Airline and Concessionaire Bankruptcies" herein for a discussion of Spirit Airlines' bankruptcy filing on August 29, 2025.

Notes: Commuter affiliates are included with the mainline airlines. Totals may differ due to rounding.

Source: City of Austin, Austin Aviation records.

Table 4 presents historical aircraft operations (landings and takeoffs) at AUS for Fiscal Years 2016 through 2025.

Table 4
Historical Aircraft Operations
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)

Fiscal Year	Air Carrier	Air Taxi/Commuter	General Aviation	Military	Total Operations	Annual Increase Decrease
2016	114,150	16,194	51,231	10,435	192,010	1.0%
2017	120,242	15,181	52,709	9,830	197,962	3.1%
2018	132,334	17,198	48,742	9,774	208,048	5.1%
2019	139,470	16,296	43,820	8,697	208,283	0.1%
2020	97,567	13,909	36,444	4,916	152,836	-26.6%
2021	103,516	19,200	41,820	5,357	169,893	11.2%
2022	185,273	24,024	52,819	5,038	267,154	57.2%
2023	196,763	23,747	47,044	4,914	272,468	2.0%
2024	191,665	25,160	42,703	5,639	265,167	-2.7%
2025	185,865	27,161	42,852	5,335	261,213	-1.5%

Note: Calculated totals and percentages may not match those shown because of rounding.

Source: City of Austin, Austin Aviation records.

Table 5 presents historical aircraft landed weight (expressed in 1,000-pound units) for Fiscal Years 2016 through – 2025. Landed weight, which is used to calculate landing fees, is recorded according to the aircraft’s certificated maximum gross landing weight, as determined by the FAA. Changes in landed weight affect the landing fee rates but under the airline agreements described below, increased landed weight does not increase landing fee revenue to the Airport but instead reduces the landing fee rate for the airlines. See “AIRPORT REVENUES AND AGREEMENTS – Passenger and Cargo Airline Agreements” below in this document.

Table 5
Historical Aircraft Landed Weight
Austin-Bergstrom International Airport
(For Fiscal Years Ended September 30)
(in 1,000-pound units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	% Increase (Decrease)
2016	6,940,667	481,109	7,421,776	4.7%
2017	7,573,274	542,980	8,116,254	9.4%
2018	8,756,890	528,280	9,285,170	14.4%
2019	9,357,801	541,043	9,898,844	6.6%
2020	6,437,026	577,166	7,014,192	-29.1%
2021	6,541,321	654,067	7,195,388	2.6%
2022	11,829,006	816,188	12,645,194	75.7%
2023	13,014,499	705,915	13,720,414	8.5%
2024	12,785,796	744,501	13,530,297	-1.4%
2025	12,569,353	651,821	13,221,174	-2.3%

Note: Calculated totals and percentages may not match those shown because of rounding.

Source: City of Austin, Austin Aviation records.

AIRPORT REVENUES AND AGREEMENTS

In Fiscal Year 2025 approximately 50% of Airport operating revenues was derived from the Airport's Legacy Use and Lease Agreements (as defined below) with the airlines for use by the airlines of the airfield area and for their use of exclusive, preferential and shared use space in the terminal and aircraft loading positions on the terminal apron. The airfield area, as defined in these agreements, includes the runways, taxiways and facilities at the Airport for the purpose of controlling and assisting arrivals, departures and operations of aircraft using the Airport. In general, rate-setting at the Airport, under the Legacy Use and Lease Agreements, Bridge Agreements (as defined below) and the New Use and Lease Agreements (as defined below), for use of the airfield area is "residual" (the airlines have primary responsibility and risk for costs (including allocated debt service and coverage) and expenses and the benefit from non-airline revenues attributed to the airfield area). The terminal and other non-airfield area parts of the Airport, under the Legacy Agreements, were "compensatory" (the City has the responsibility and risk for costs not allocable to terminal facilities leased to airlines) in connection with revenues and costs and expenses. In the Bridge Agreements and New Use and Lease Agreements, the terminal and other non-airfield area parts of the Airport are under a "commercial compensatory" (similar to compensatory but also provides the City recovery of a portion of costs allocated to public space in the terminal) rate-setting methodology.

Passenger and Cargo Airline Agreements

Seven passenger airlines previously executed Use and Lease Agreements, including previous extensions thereof (collectively, the "Legacy Use and Lease Agreements") with the City, which expired on September 30, 2024. On October 1, 2024, these seven airlines became month-to-month tenants under the Legacy Use and Lease Agreements and the terms and conditions of the Legacy Use and Lease Agreements remained effective.

In August 2025, the City submitted a Bridge Agreement (collectively, the "Bridge Agreements") to all passenger airlines. The Bridge Agreement implemented a revised rates and charges schedule which was effective as of October 1, 2025 through December 31, 2025.

Effective January 1, 2026, the Airport and the airlines (both passenger and cargo airlines, collectively, the "Signatory Airlines") have entered into a new Use and Lease Agreement and new Cargo Operating Agreements (collectively the "New Use and Lease Agreements"). As of January 1, 2026, five commercial airlines have signed the New Use and Lease Agreements as Signatory Airlines: Alaska, American, Delta, Southwest, and United. Spirit and JetBlue were previously signatory airlines but they are non-signatories under the New Use and Lease Agreement. The cargo Signatory Airlines, as of January 1, 2026, are FedEx and UPS. Collectively, the passenger Signatory Airlines accounted for approximately 91% of enplaned passengers at the Airport in Fiscal Year 2025.

In accordance with the New Use and Lease Agreements, the passenger Signatory Airlines have agreed to fund a "Major Maintenance Account", with deposits allocated to the airfield area, apron area and terminal area cost centers. The Major Maintenance Account will be used to fund capital projects in those cost centers and to capital projects in indirect cost centers that are allocable to those cost centers. Funding from the Major Maintenance Account shall not incur amortization charges. In each Fiscal Year starting with Fiscal Year 2026, the Airport shall deposit \$30,000,000 into the Major Maintenance Account and allocate the costs of the deposits ("Major Maintenance Account Deposits") to cost centers as follows: (a) \$10,000,000 to the airfield area; (b) \$5,000,000 to the apron area; and (c) \$15,000,000 to the terminal area. The Major Maintenance Account Deposits will escalate annually by the increase in the CPI, if any. In accordance with the Revenue Bond Ordinances, the Airport will fund the Major Maintenance Account Deposits from amounts available in the Capital Fund. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Flow of Funds" in this document.

In the New Use and Lease Agreements, the Airport has established a Minimum Annual Guarantee ("MAG") in order for airlines to maintain Signatory Airline status during the duration of the agreement. Passenger MAG requirements and cargo MAG requirements were established as follows:

"Passenger MAG Requirement" means the minimum annual guarantee from a Signatory Airline of the financial equivalent to 0.5% of the total airline rents, fees, and charges for the Airport determined in Austin Aviation's annual reconciliation.

“Cargo MAG Requirement” means the minimum annual guarantee from a cargo Signatory Airline of \$250,000, as of October 1, 2025. The Cargo MAG Requirement shall be increased each Fiscal Year by an amount equal to the same percentage as the percentage increase to the airfield area requirement from the previous Fiscal Year, if any.

Landing Fees

Landing fees for use of the airfield area are payable monthly and are calculated by multiplying the then-current landing fee rate by the total number of thousand-pound units of the maximum gross landing weight of the airline’s aircraft making fee landings at the Airport during the prior month. The landing fee for each Fiscal Year is calculated by dividing the airfield area requirement by the total landed weight of the Signatory Airlines for the Fiscal Year. The airfield area requirement for each Fiscal Year is calculated as the total of (a) the sum of operation and maintenance expenses, annual net debt service, amortization charges, reserve deposits and Major Maintenance Account deposits allocable to the airfield area; *minus* (b) any amounts collected by the Airport attributable to the Cargo MAG Requirement for the prior Fiscal Year; *minus* (c) fuel flowage fee revenue; *minus* (d) general aviation landing fees; *minus* (e) Non-Signatory Airline landing fees; *minus* (f) Non-Signatory Cargo Carrier landing fees. The total requirement for the airfield area is then divided by the total landed weight of the Signatory Airlines for the Fiscal Year. The agreements with the airlines provide for a year-end adjustment to landing fee charges based on actual results for the Fiscal Year. Non-Signatory Airlines pay landing fees at 115% of the Signatory Airline rate.

Airline Terminal Rent and Other Charges

Terminal rents, aircraft parking fees and other charges for exclusive, preferential and common use of the terminal and the terminal apron and use of the customs and border protection facility are calculated to take into account capital, operating, operating reserve, supplemental coverage charges and debt service (net of PFCs), debt service coverage and amortization costs allocated to the airline cost center and to airline use. In addition to space rentals and apron parking fees, airline terminal fees and charges include fees to cover attributed operating expenses and reserves for gate loading bridges and baggage makeup equipment. Non-Signatory Airlines pay for space at 115% of the Signatory Airline rate.

Pursuant to the New Airline Use and Lease Agreements, the passenger Signatory Airlines are required to pay other fees and charges, including apron parking fees, extended and remain overnight parking fees, joint use fees, and common use fees, among others. As part of the terminal rental rate, the Signatory Airlines have agreed to pay coverage charges which are equal to the sum of 140% of debt service. Austin Aviation shall calculate the terminal rental rate as the sum of the base terminal rental rate and the supplemental terminal rental rate. “Supplemental Coverage Charges” means the amounts, if any, to be paid by the Signatory Airlines through airline rents, fees, and charges by inclusion in the supplemental terminal rental rate which shall be calculated by the City for each Fiscal Year as (a) one hundred and forty percent (140%) times debt service; *plus* (b) operation and maintenance expenses; *minus* (c) gross revenues except terminal rentals and joint use charges; *minus* (d) base terminal rental rate times the total square footage of the leasable space at the Airport that has been leased or assigned to passenger airlines as exclusive use premises, preferential use premises, and joint use premises; *minus* (e) PFCs used to pay debt service.

The Airport shall report Supplemental Coverage Charges collected each Fiscal Year to the Signatory Airlines as part of the annual reconciliation. Austin Aviation shall use any Supplemental Coverage Charges that remain available for use after the year-end reconciliation in the following priority: (i) apply remaining funds to remaining capital projects in the AEDP, (ii) defease the amount of bonds outstanding in the airfield area, apron area, and terminal area cost centers and indirect cost centers to the extent allocable to the airfield area, apron area, and terminal area, and (iii) make a supplemental deposit to the Major Maintenance Account. No amortization charges shall be assessed on anything funded through Supplemental Coverage Charges pursuant to this Section.

Application of Days Cash on Hand

After the completion of the City’s audited financial statements for each Fiscal Year, the Airport shall determine days cash on hand as follows:

(a) the sum of the balances in the following accounts: (1) the Revenue Fund, (2) the Operation and Maintenance Reserve Fund, (3) the Repair and Replacement Fund and (4) the Capital Fund, divided by (b) daily operation and maintenance expenses.

Under the New Use and Lease Agreements, any days cash on hand above 600 days at the time of the year-end reconciliation will be used by the Airport in the following order of priority: (1) to apply remaining funds to remaining capital projects in the AEDP, (2) to defease the amount of bonds outstanding in a subsequent Fiscal Year, and (3) to fund future capital projects. No amortization charges shall be assessed on anything funded under (1) or (2) in the prior sentence.

Terminal Gate Commitments

The following table shows the number of passenger terminal gates in use as of October 2025 and as planned for 2031 (following the opening of the Concourse A west gate expansion in 2026 and Concourse B in 2030). The increase in the number of loading bridge-equipped gates from 33 to 60 will allow all airlines to increase service. Two airlines in particular will benefit as they implement plans to increase the importance of AUS in their networks. Delta has committed to increasing its number of leased gates from 4 to 15 (at Concourse A) and Southwest has committed to increasing its number of leased gates from 10 to up to 18 (at Concourse B).

	2025 Gates (a)	Planned 2031 Gates (b)			Change 2026-2031
	Concourse A	Concourse A	Concourse B	Total	
Domestic					
Preferentially Leased (c)					
American	4	9	-	9	5
Alaska	1	1	-	1	-
Delta	4	15	-	15	11
Southwest (d)	10	-	18	18	8
United	<u>3</u>	<u>2</u>	<u>5</u>	<u>5</u>	<u>2</u>
Subtotal – Preferentially Leased	22	25	23	48	26
Common Use (e) (f)	<u>5</u>	<u>1</u>	<u>3</u>	<u>4</u>	<u>(1)</u>
Subtotal Domestic	27	26	24	52	25
International Common Use (g)	<u>6</u>	<u>8</u>	<u>2</u>	<u>8</u>	<u>2</u>
Total Loading Bridge-Equipped	33	34	26	60	27

(a) Gates available at the Barbara Jordan Terminal as of October 2025.

(b) Gates available after planned opening of Concourse A west gate expansion (in 2026) and Concourse B (in 2030).

(c) Gates leased to Signatory Airlines.

(d) Includes two contingent gates at Concourse B.

(e) Includes gates assigned to non-signatory airlines.

(f) Excludes Gate 13 at apron level used for bus access to remote parking positions.

(g) Common use gates connected to the CBP facility and available for international or domestic use.

Source: City of Austin, Austin Aviation records.

Terminal Concession and Other Non-Airline Business Agreements

Non-airline terminal revenue, parking and ground transportation revenue and other non-airline space and use leases and concession revenues at the Airport represented approximately 49% of the Airport's operating revenue in Fiscal Year 2025.

Terminal Concession Agreements

The City has concession lease agreements with non-airline entities that operate and occupy space in the terminal and provide food, retail and passenger services. The City currently has ten active concession agreements with terms expiring between Fiscal Years 2032 and 2034. The concession agreements provide for the payment of rent and for payment of concession fees equal to the greater of (1) the MAG concession fee (generally, 85% of Concession Fees due for the immediately preceding full contract year, or (2) specified percentages of annual gross receipts (net of taxes and other items) from sales of different categories of products. The City issued an RFP for retail space in the Airport's

new West Gate Expansion and the temporary holdroom facility (Concourse M) in September 2025. Proposals were due in early December 2025. A RFP for concession space in the new Terminal B and Arrivals and Departures Hall is expected to be issued in the summer or fall of 2026.

Garage and Parking Agreements

The City receives revenue from approximately 16,000 public parking spaces at the Airport, consisting of spaces in the Red Garage, the Blue Garage and surface lots, and also privilege fees from operators of approximately 6,400 off-site parking spaces. Under the AEDP, a new 7,000 space parking Yellow Garage to replace the Red Garage and Lot B surface lot spaces, and a new 1,400 space surface lot are under construction. Since October 2016, SP Plus Corporation has managed the Airport's parking garages, surface parking lots, shuttle services, contract parking and loyalty programs. In May 2024, the parking management contract was extended through May 31, 2025, with up to two additional renewal periods through June 30, 2027. The Airport expects to issue an RFP for this contract in the summer of 2026. Under the management contract, the operator is reimbursed for out-of-pocket expenses and receives a management fee. As noted below in Table 7, parking revenue is the largest component of the Airport's non-airline revenues.

In addition to the parking garage and lots managed for the City by SP Plus Corporation, the City and Scott Airport Parking LLC entered into a 30-year public-private partnership arrangement that will expire no later than September 2, 2056 for a multi-phased parking lot and pet hotel with a total of approximately 2,100 spaces on 64 acres of Airport property. That arrangement requires the developer to pay percentage rent of between 1% and 10% of parking revenue and the greater of a MAG or 1% to 10% of pet hotel gross revenues.

Rental Car Company Agreements

The City has concession agreements with each of the nine on-site Airport car rental companies that operate at the CONRAC, and each of those nine companies is also a subtenant under the City's master lease agreement with Austin CONRAC LLC. Both agreements expire on September 30, 2026, which may be extended by the City in its sole discretion for two additional five-year periods. The City is currently in discussions with the rental car companies on a new concession agreement. In addition to responsibilities related to the City's Rental Car Special Facilities Bonds for the CONRAC, the concession agreements provide for payments by the rental car companies to the City of privilege fees in the amount of 10% of the rental car company's gross receipts as defined in the concession agreement (or if greater, a MAG concession fee equal to 85% of the concession fee due for the immediately preceding concession agreement year) for the privilege of operating at the Airport and also require payments of ground rental fees for storage and maintenance facilities. The rental car companies also agree to collect CFCs from all rental car customers, and to hold in trust and pay the CFCs to the trustee for the Rental Car Special Facilities Bonds and to make lease and other payments in connection with the Master Lease and financing of the Special Facilities Bonds.

The City also collects privilege fees from off-Airport rental car companies in the amount of 10% of the companies' gross receipts as defined in the concession agreement (or if greater, a MAG equal to 85% of the concession fee due for the immediately preceding concession agreement year) for operating at the Airport.

Ground Transportation

The City charges permit and access or trip fees for use of Airport and terminal access roadways by taxis, shuttles, limousine services, charter service vehicles and transportation network companies.

General Aviation Agreements

The City has entered into long-term leases with three fixed-base operators ("FBOs") for the operation and management of general aviation hangar facilities and taxiways at the Airport. The City receives ground rent, which may be increased annually if the CPI increases, 85% of landing fees collected by the FBOs, and a fuel flowage fee for each gallon of fuel delivered to the FBO facilities. FBO lease agreements with Signature Flight Support and Atlantic Aviation are currently scheduled to expire on May 22, 2039 and the agreement with Austin FBO (doing business as Million Air) will expire on October 31, 2056.

HISTORICAL FINANCIAL DATA

The City, as operator of the Airport System, currently accounts for its activities according to generally accepted accounting principles through an enterprise fund. Table 6 represents the historical operating results of the Airport enterprise fund for Fiscal Years 2021 through 2025 based on the audited financial statements of the City, as reported on by the City's independent auditors. The City's audited financial statements for the Fiscal Year ended September 30, 2025 are included as APPENDIX B in this document.

Table 6
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings/Net Position
City of Austin, Texas
Airport Fund
(Fiscal Year Ended September 30)
(in thousands)

	2021	2022	2023	2024	2025
Revenue					
User fees and rental	\$155,711	\$211,186	\$255,118	\$300,842	\$331,052
Lease Revenues	-	20,567	23,393	23,902	22,486
Operating revenues	\$155,711	\$231,753	\$278,511	\$324,744	\$353,538
Expenses					
Operating expenses before depreciation	121,776	142,496	177,519	167,743	147,982
Depreciation and amortization	44,155	47,757	49,165	49,499	53,186
Total operating expenses	\$165,931	\$190,253	\$226,684	\$217,242	\$201,168
Operating income before nonoperating revenues (expenses) and operating transfers	(10,220)	41,500	51,827	107,502	152,370
Nonoperating revenues (expenses)					
Interest and other revenues	-	(4,264)	45,607	54,829	38,347
Interest on revenue bonds and other debt	(39,973)	(46,607)	(56,051)	(56,405)	(56,184)
Interest capitalized during construction	-	-	-	-	-
Interest expense on leases and IT subscriptions	-	-	(36)	(30)	(117)
Passenger facility charges	22,366	40,725	42,263	40,653	40,940
Cost (recovered) to be recovered in future years	-	-	-	-	-
Other nonoperating expenses	25,161	41,730	38,538	517	(398)
Total nonoperating revenues (expenses)	7,554	31,584	70,321	39,564	22,588
Income (loss) before contributions and transfer	(2,666)	73,084	122,148	147,066	174,958
Capital contributions	8,272	8,110	12,859	6,284	31,453
Transfers in	-	-	143	-	400
Transfers out	(41)	(33)	(53)	(1,002)	(741)
Change in net position	5,565	81,161	135,097	152,348	206,070
Total net position, beginning	622,247	627,812	708,973	844,138 ⁽¹⁾	996,486
Prior period adjustment	-	-	-	-	(344)
Total net position, ending	\$627,812	\$708,973	\$844,070	\$996,486	\$1,202,212

(1) As restated, due to the implemented guidance from GASB Implementation Guide No. 2021-1.

Note: Totals may differ due to rounding.

Source: City of Austin

Table 6A sets forth the Airport’s “days cash on hand”, calculated as (i) unrestricted cash and investments as of September 30 of each Fiscal Year divided by (ii) daily operating expenses for such Fiscal Year.

Table 6A
Days Cash on Hand
(Fiscal Year Ended September 30)
(dollar amounts in millions)

	2021	2022	2023	2024	2025
Unrestricted Cash and Investments ⁽¹⁾	\$234.7	\$311.9	\$322.4	\$418.3	\$481.4
Total Operating Expenses	102.0	127.7	151.3	177.2	205.7
Days Cash on Hand ⁽²⁾	<u>840</u>	<u>891</u>	<u>778</u>	<u>862</u>	<u>854</u>

(1) Consists of the sum of the balances in the following accounts: (1) the Revenue Fund, (2) the Operation and Maintenance Reserve Fund, (3) the Repair and Replacement Fund; and (4) the Capital Fund.

(2) Equal to (i) Unrestricted Cash and Investments divided by (ii) Total Operating Expenses divided by 365.

Source: City of Austin, Austin Aviation

The information in Table 7 was derived from financial information maintained by Austin Aviation, which was prepared according to generally accepted accounting principles. Table 7 presents the Airport revenue detail for Fiscal Years 2021 through 2025. The City’s audited financial statements for the Fiscal Year ended September 30, 2025 are included as APPENDIX B in this document.

Table 7
Airport Revenue Detail by Fiscal Year
(Fiscal Year Ended September 30)
(in thousands)

	2021	2022	2023	2024	2025
Airline Revenue					
Landing Fees	\$29,407	\$35,900	\$43,806	\$53,122	\$63,296
Terminal Rental & Other Fees	46,173	64,540	75,287	99,171	112,372
Total Airline Revenue	<u>\$75,580</u>	<u>\$100,440</u>	<u>\$119,093</u>	<u>\$152,293</u>	<u>\$175,668</u>
Non-Airline Revenue					
Parking	\$27,724	\$58,465	\$69,275	\$76,024	\$79,249
Other Concessions	28,408	24,612	38,774	38,331	38,191
Other Rentals and Fees	23,999	48,236	51,370	58,096	60,430
Total Non-Airline Revenue	<u>\$80,130</u>	<u>\$131,314</u>	<u>\$159,419</u>	<u>\$172,451</u>	<u>\$177,870</u>
Total Revenue	<u><u>\$155,711</u></u>	<u><u>\$231,753</u></u>	<u><u>\$278,512</u></u>	<u><u>\$324,744</u></u>	<u><u>\$353,538</u></u>

Note: Totals may differ due to rounding.

Source: City of Austin, Austin Aviation

The information set forth in Table 8 was derived from financial information maintained by the City and presents the historical debt service coverage information for the Outstanding Revenue Bonds for Fiscal Years 2021 through 2025. The amounts shown in Table 8 were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, “Gross Revenues,” “Operation and Maintenance Expenses,” “Administrative Expenses” and certain other amounts specified therein are not measured according to generally accepted accounting principles for purposes of the rate covenant and other provisions of the Ordinances and the Revenue Bond Ordinances. See the definitions of such terms in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES” in this document. In addition, see “– Historical Debt Service Coverage Information Contained in 2025 ACFR” and “– Historical Debt Service Coverage Information Contained in the Annual Report for Fiscal Year 2025” below.

Table 8
Historical Debt Service Coverage
(Fiscal Year Ended September 30)
(in thousands)

	2021	2022	2023	2024	2025
Gross Revenues	\$185,683	\$241,275	\$283,770	\$330,683	\$358,852
Other Available Funds ⁽¹⁾	11,178	12,422	13,548	15,180	18,672
Funds Available to Pay Debt Service	\$196,861	\$253,697	\$297,318	\$345,863	\$377,524
Operating Expenses ⁽²⁾	(101,963)	(127,700)	(151,267)	(177,172)	(205,695)
Net Available Revenue	\$94,898	\$125,997	\$146,051	\$168,691	\$171,829
Debt Service ⁽³⁾	\$44,710	\$49,687	\$54,190	\$60,720	\$74,689
Coverage	2.12	2.54	2.70	2.78	2.30

- (1) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES.”
- (2) Amounts shown include "Operation and Maintenance Expenses" and "Administrative Expenses" (as such terms are defined in the Ordinances and the Revenue Bond Ordinances) and exclude depreciation and other unfunded postemployment benefits and pension obligation accruals. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, and Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds.
- (3) Represents Debt Service Requirements calculated pursuant to the Ordinances and the Revenue Bond Ordinances, and as such amounts are net of PFCs used to pay debt service. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges” in this document.

Source: City of Austin, Austin Aviation.

Historical Debt Service Coverage Information Contained in the 2025 ACFR

The amounts shown in Table 8 above were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. The City’s audited financial statements for the Fiscal Year ended September 30, 2025 included as APPENDIX B in this document (the “2025 ACFR”), also contain historical debt service coverage information for the Outstanding Revenue Bonds based on generally accepted accounting rules which may differ from the calculations required by the Revenue Bond Ordinances. The historical debt service coverage information reported in Table 16 of the statistical section of the 2025 ACFR (i) for Fiscal Year 2025 is calculated in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances, and (ii) for certain Fiscal Years prior to Fiscal Year 2025 includes certain interest and investment income that does not constitute Gross Revenues (as defined in the Ordinances and the Revenue Bond Ordinances). See the definition of “Gross Revenues” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES” in this document. Also see “APPENDIX B – AUDITED FINANCIAL STATEMENTS” in this document.

Historical Debt Service Coverage Information Contained in the Annual Report for Fiscal Year 2025

As described above, the amounts shown in Table 8 above were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. The City has previously filed its annual report for Fiscal Year 2025 on the MSRB’s EMMA system, which contains certain financial information and operating data with respect to the City and the Airport System (the “2025 Annual Report”). As described in the 2025 Annual Report, such report includes historical debt service coverage information for the Outstanding Revenue Bonds for all Fiscal Years presented calculated in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. Such debt service coverage information presented in the 2025 Annual Report for Fiscal Years 2021 through 2024 has been revised, as compared to the debt service coverage information presented in the annual reports filed on EMMA for such prior Fiscal Years, so as to comply with the debt service coverage calculation requirements for the Outstanding Revenue Bonds, as more particularly described therein.

AIRLINE INFORMATION

Revenues of the Airport System may be affected by the ability of the airlines operating at AUS, individually and collectively, to meet their respective obligations. Many of the airlines that serve the Airport (or their respective parent corporations) are subject to the information reporting requirements of the United States Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (the “SEC”). Certain information, including financial information, as of particular dates concerning each of the airlines operating at AUS (or their respective parent corporations) is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 100 F Street NE, Washington, DC 20549, and at the SEC’s regional offices at 219 South Dearborn Street, Chicago, Illinois 60604; 26 Federal Plaza, New York, New York 10278; and 5757 Wilshire Boulevard, Suite 500 East, Los Angeles, California 90036-3648 and copies of such reports and statements can be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each airline operating at AUS is required to file periodic reports of financial and operating statistics with the U.S. DOT. Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. DOT at prescribed rates.

REGULATION

The City operates the Airport pursuant to an airport operating certificate issued annually by the FAA after an on-site review. In addition to this operating certificate, the Airport is required to obtain, and/or to comply with, other permits and/or authorizations from the FAA and other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants under the FAA’s grant programs. Federal law also governs certain aspects of rate-setting and restricts grants of exclusive rights to conduct an aeronautical activity at an airport that receives or has received federal grants and other property. All long-term facility planning is subject to the FAA’s approval; the Airport’s financial statements are subject to periodic review by the FAA; the City’s use of Airport revenues and any revenue generated from sales of aviation fuel are subject to review by the FAA; and the City’s use of PFC revenue and grant proceeds is also subject to FAA approval, audit and review. The City also is required to comply with the provisions of the federal Aviation and Transportation Security Act, other federal security statutes and the regulations of the Transportation Security Administration (the “TSA”). Security is regulated by the FAA and the TSA.

Airport Improvement Program Grants and Letter of Intent

The Airport receives federal grants for capital development under the FAA’s Airport Improvement Program (“AIP”). The Airport receives AIP entitlement grants based on (a) levels of funding authorized and appropriated by Congress for the program; (b) the number of passengers and amount of cargo at the Airport; and (c) a 75% reduction based on the Airport’s \$4.50 PFC level per federal regulations. The Airport also receives AIP discretionary grants for specific projects pursuant to grant applications for specific projects.

The FAA has announced its intention under a Letter of Intent (“LOI”) to obligate funds from its budget authority to fund the federal share of allowable costs for components of the Airport’s Midfield Taxiway project. Under the LOI, the Airport anticipates receiving \$12.0 million of LOI grants annually (consisting of \$1.0 million of AIP entitlement and \$11.0 million of AIP discretionary grants each year) from federal fiscal years (ending September 30) 2027 through 2035, in a total aggregate amount of \$108.0 million. The Airport’s plan of finance for the 2026-2030 Project assumes that LOI grants will be available for the payment of a portion of the anticipated costs of such Midfield Taxiway project on a “pay as you go” basis and for the payment of a portion of the debt service on the 2026A Bonds. For a description of how such grant funds are assumed to be applied for purposes of the Report of the Airport Consultant, see “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Financial Analysis”.

LOI grants are subject to congressional appropriation, as well as automatic spending cuts, known as sequestration. Although the City considers such assumptions in its plan of finance to be reasonable, such assumptions are inherently subject to certain uncertainties and contingencies. Actual LOI grant receipt funding levels and timing may vary and such differences may be material. If there is a reduction in the amount of LOI grants awarded to the City, such reduction could require an increase by a corresponding amount in funding from other sources. See “CERTAIN INVESTMENT CONSIDERATIONS – Federal Funding Considerations.”

Rates and Charges and Revenue Use; Federal Statutes

Federal statutes and FAA regulations require that an airport maintain a rate structure that is as self-sustaining as possible and generally (with certain exceptions) limit the use of all revenue (including local taxes on aviation fuel and other airport-related receipts) generated by an airport receiving federal financial assistance to purposes related to the airport. The Federal Aviation Administration Authorization of 1994 as amended (the “FAA Act”) and the Airport and Airway Improvement Act of 1982 (the “AAIA”) and regulations provide that for all airports, with certain exceptions, the use of airport revenue (and taxes on aviation fuel) for purposes other than the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations.

The FAA Act, other federal statutes and FAA regulations also provide that, without air carrier approval, an airport may not include in its rate base debt service allocable to projects not yet completed and in service. In addition, the FAA Act, the AAIA and regulations include provisions addressing the requirements that airline rates and charges set by airports receiving federal assistance be “reasonable,” and the FAA Act authorize the U.S. Secretary of Transportation to review rates and charges complaints brought by air carriers. During the pendency of a complaint, an airport is required to provide a surety bond, letter of credit or other form of security to ensure that the disputed portion of the fee is reimbursed to air carriers should the rates and charges be found to be unreasonable. To date, no rate complaints have been filed against the Airport. The FAA Act excludes certain fees from the airport fee-challenge process, including fees imposed pursuant to a written agreement with air carriers using airport facilities. It is the City’s understanding that so long as the Use and Lease Agreements are in effect, under most circumstances the fee-challenge provisions of the FAA Act will not affect the airline rates and charges set by the City.

Passenger Facility Charges

PFCs are fees collected from enplaned paying passengers to finance eligible, approved airport-related project costs, subject to FAA regulation. Airport operators are required to apply to the FAA for approval before imposing or using PFCs. The FAA has authorized the City to impose a PFC of \$4.50 per paying enplaned passenger, the maximum allowable under current law.

PFCs are imposed by the City, collected by the airlines from paying passengers enplaning at the Airport and remitted to the City (net of a handling fee, currently equal to \$0.11 for each PFC collected). The annual amount of PFCs collected by the City depends upon the number of passenger enplanements at the Airport and the timely remittance of PFCs by the airlines. No assurance can be given that PFCs will actually be received in the amounts or at the times contemplated by the City in its capital funding plans. In addition, the FAA may terminate or reduce the City’s authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that the City has violated certain provisions of federal law or the PFC or other federal regulations, or if the FAA determines that PFC revenue is not being used for approved PFC projects or that implementation of such projects did not begin within the time frames specified in the PFC statute or the PFC regulations. Future PFC applications may be denied if the FAA determines that the City violated any of its federal grant assurances or violated certain federal statutes and regulations applicable to airports. Amounts received or receivable under the PFC program are also subject to audit and adjustment by the FAA. The City has never been found in violation of or been notified by the FAA as being out of compliance with federal grant assurances or applicable federal statutes and regulations. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Use of Passenger Facility Charges” in this document.

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was first imposed at AUS at \$3.00 in 1995 and increased to \$4.50 in 2004. As of March 1, 2026, the cumulative amount of PFC approvals received by the City is \$879.4 million. Through December 31, 2025, cumulative PFC revenues, including investment earnings, totaled \$632.2 million. Under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of September 2035. The City has applied PFCs toward project costs on a pay-as-you-go basis and has set aside and applied PFCs toward the following year’s PFC-eligible Airport System Revenue Bond debt service, up to the maximum eligible amount. The City intends to continue such application of PFC revenues in accordance with the covenant of the City contained in the Ordinances. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges” in this document. Provided below is a table showing the City’s PFC revenues, including investment earnings, and the amount set aside

for debt service on Revenue Bonds in Fiscal Years 2016-2025 for the payment of debt service due on Revenue Bonds during the next succeeding Fiscal Year.

Table 9
PFC Detail by Fiscal Year

Fiscal Year	PFC Revenues⁽¹⁾	Amount Set Aside and Applied Toward Debt Service⁽¹⁾⁽²⁾
2016	\$24,399,643	\$11,915,324
2017	29,716,478	10,596,707
2018	31,499,633	17,751,536
2019	35,176,477	22,427,409
2020	18,776,099	23,239,282
2021	22,504,326	23,831,270
2022	41,135,710	23,766,537
2023	45,227,690	23,693,641
2024	45,119,560	23,621,216
2025	45,498,327	18,202,587

(1) This table uses data calculated as per the Revenue Bond Ordinances, which may differ from amounts paid and/or presented in the City's audited financial statements.

(2) The "Amount Set Aside and Applied Toward Debt Service" is an amount budgeted in the prior Fiscal Year for the payment of projected Debt Service in the ensuing Fiscal Year. At the conclusion of the following Fiscal Year, this number is updated to reflect the actual transfer to Debt Service.

Source: City of Austin, Austin Aviation.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of "Gross Revenues." Consistent with the definition of "Debt Service Requirements" in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant," "– Additional Revenue Bonds" and the definition of "Debt Service Requirements" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions" in this document.

The City intends to seek approval from the FAA to use PFCs to pay a portion of the debt service on the Bonds. If approved, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant of the City contained in the Ordinances. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval" in this document.

Federal and State Noise Regulation

State statutes and administrative regulations require all airports in the State to institute noise abatement programs under certain circumstances. The City instituted a noise abatement program, which has been in effect for approximately 20 years. The Airport noise program was originally established under Federal Aviation Regulation Part 150 and has been updated several times, most recently by an update completed and approved by the FAA in 2008.

The United States Congress enacted the Airport Noise and Capacity Act of 1990 ("ANCA") to balance local needs for airport noise abatement with the needs of the national air transportation system. ANCA established criteria and standards that are intended to ensure an airport operator does not impose local restrictions that negatively affect the national air transportation system. Airport management believes that the Airport is in material compliance with ANCA, and there is no pending litigation known to the City challenging noise levels of airborne aircraft.

The City, including the Airport, also is regulated by the federal Environmental Protection Agency and by the State in connection with various environmental matters, including the handling of deicing materials and airline fuels and lubricants, protection of wetlands and other natural habitats, disposing of stormwater and construction wastewater runoff and noise abatement programs.

CAPITAL IMPROVEMENT PROGRAM

The City continually develops and monitors a list of capital projects and assesses the timing of implementing these projects based on funding availability and needs. These projects are anticipated to be funded, all or in part, by Additional Revenue Bonds, Subordinate Obligations, Federal grants, PFCs, internally generated funds or other legally available sources. In addition to the Bonds, the City anticipates issuing Additional Revenue Bonds between 2027 and 2030 in the approximate aggregate principal amount of \$4.2 billion, subject to the requirements of the Revenue Bond Ordinances. Certain of the federal grants and PFCs which may be used to fund these projects either have not been applied for or the application for such sources is pending. See “CERTAIN INVESTMENT CONSIDERATIONS – Availability of Funding for the Capital Improvement Program” in this document.

As of the date of this Official Statement, the Airport’s Capital Improvement Program through Fiscal Year 2031 has an estimated cost of \$5,860.3 million as set forth in the table below.

	Escalated Cost (in millions)
AEDP	
Concourse A Renovation	\$ 283.8
Concourse B and Tunnel	2,141.2
Arrivals and Departures Hall	1,285.6
Integrated Baggage Handling System	356.9
Landside, Parking & Roadways	442.8
Utilities	638.3
Airfield	351.3
Subtotal – AEDP	\$5,500.0
Ongoing Projects	\$360.3
Total	\$5,860.3

Note: Totals may differ due to rounding.

Source: City of Austin, Austin Aviation

Airport Expansion and Development Program

A significant portion of the Capital Improvement Program is the AEDP, which is a multi-year airport expansion, development and improvement program which is intended to increase capacity at the Airport using a strategic approach, including the following key elements:

Concourse A (current Barbara Jordan Terminal) Renovation

Projects to renovate Concourse A including increased seating for the holdrooms, removal of existing ticket counters and security checkpoints, and the addition of new concession space.

Concourse B and Tunnel

Concourse B will be a 26-gate midfield satellite concourse to be constructed with apron, concourse, and mezzanine levels to accommodate 26 loading bridge-equipped gates expected to be leased by Southwest and United or be available for common use. The concourse will provide space for passenger holdrooms, circulation, concessions, restrooms, airline lounges, and airline operations and will be connected to the

Barbara Jordan Terminal by a new tunnel accommodating moving walkways for pedestrians, utilities, and baggage conveyors. The concourse will have future expansion capability to accommodate 40 gates.

To provide additional gate capacity until the completion of Concourse B, a temporary midfield concourse (Concourse M) is being constructed. Concourse M will provide six gates (four equipped with passenger boarding bridges and two for ground loading) and be served from the Barbara Jordan Terminal by a busing operation from Gate 13. The concourse is being constructed at the current aircraft maintenance ramp location and is designed so it could be converted and used for cargo or airline support operations in the future.

Arrivals and Departures Hall

A new hall will be constructed to accommodate expanded passenger check-in facilities, baggage handling and claim facilities, consolidated security screening checkpoints, and space for passenger circulation, concessions, and tenants. The hall will be constructed at the site of the existing Red Garage, to be demolished, and will be connected directly to the Blue Garage by an enclosed pedestrian bridge.

Integrated Baggage Handling System

A new centralized baggage handling system (BHS) will be constructed to serve the entire terminal complex. The BHS will support operations at the new Arrivals and Departures Hall and Concourse B, increase baggage screening capacity, and address existing operational inefficiencies.

Landside, Parking, and Roadways

Yellow Garage. A new seven-level parking garage providing approximately 7,000 public parking spaces is being constructed at the Lot B site north of the Blue Garage. An enclosed pedestrian bridge connecting the new garage to the Blue Garage will facilitate access to the terminal.

Surface Parking. Approximately 1,400 additional spaces for public and employee parking are being brought into use in phases to replace spaces lost by the removal of the Red Garage and Lot B and to provide additional capacity.

Terminal Curbside Roadways. New curbside roadways will be constructed to serve arriving and departing passengers at the new Arrivals and Departures Hall.

Utilities

Central Utility Plant. A new central utility plant to meet the increased heating and cooling needs of the terminal complex using reliable, efficient, and economical technology and equipment will be constructed and commissioned. The plant will have the capacity to serve the terminal, including the Arrivals and Departures Hall, Concourse A and the future full buildout of Concourse B.

Utility Infrastructure Campus-Wide. Utility systems will be expanded and upgraded throughout the Airport campus to meet increased demand and support the growth and modernization of the Airport. Utilities projects include stormwater drainage, deicing fluid containment, electric power supply and distribution, telecommunications, hydronic chilled and hot water piping, and reclaimed water.

Planning and Development Building Reconfiguration. A building formerly used by Austin Aviation's planning and development department is being renovated and reconfigured to provide collaborative working space for the AEDP program management and construction management staff. The renovation will include improving the HVAC, fire suppression, and other building systems.

Airfield

Midfield Taxiways. Two parallel taxiways capable of accommodating widebody aircraft will be constructed to connect the east and west sides of the airfield when the existing midfield taxiways are removed for construction of Concourse B.

Apron and Airfield Connectors. New north-south connector taxiways will be constructed to provide aircraft access to the apron at Concourse B.

Ongoing Capital Improvement Projects

In addition to the AEDP, the Airport has included allowances in the Capital Improvement Program for ongoing projects and for existing airfield, apron, terminal, and landside capital needs totaling \$360.3 million through Fiscal Year 2031.

Anticipated Funding Sources for the Capital Improvement Program

The following table sets forth the expected funding sources (in millions of dollars) for the Airport's Capital Improvement Program.

	<u>Project Cost</u>	<u>AIP Grants</u>	<u>PFC Revenues</u>	<u>Capital Fund</u>	<u>Prior Bonds</u>	<u>2026AB Bonds</u>	<u>Future Bonds</u>	<u>Total Bonds</u>
AEDP								
Concourse A Renovation	\$283.8	\$ -	\$ -	\$ -	\$ -	\$20.6	\$263.2	\$283.8
Concourse B and Tunnel	2,141.2	87.9	142.4	-	-	160.3	1,750.6	1,910.9
Arrivals and Departures Hall	1,285.6	-	-	129.8	-	113.9	1,041.9	1,155.8
Integrated Baggage Handling Sys.	356.9	-	-	-	-	70.3	286.6	356.9
Landside, Parking & Roadways	442.8	-	-	302.9	2.0	138.0	-	140.0
Utilities	638.3	19.9	-	129.6	-	313.0	175.8	488.8
Airfield	<u>351.3</u>	<u>108.0</u>	<u>-</u>	<u>-</u>	<u>31.0</u>	<u>186.7</u>	<u>25.7</u>	<u>243.3</u>
Subtotal - AEDP	\$5,500.0	\$215.7	\$142.4	\$562.2	\$33.0	\$1,002.8	\$3,543.9	\$4,579.6
Ongoing Capital Projects	<u>\$360.3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$360.3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$5,860.3</u>	<u>\$215.7</u>	<u>\$142.4</u>	<u>\$922.5</u>	<u>\$33.0</u>	<u>\$1,002.8</u>	<u>\$3,543.9</u>	<u>\$4,579.6</u>

Note: Amounts in millions. Totals may differ due to rounding.

Source: City of Austin, Austin Aviation

REPORT OF THE AIRPORT CONSULTANT

Appendix A, which is part of this Official Statement, contains the Report of the Airport Consultant (the "Report") prepared by LeighFisher, which serves as the Airport Consultant. The Report provides information regarding the Airport System, the 2026-2030 Project and historical and forecast air traffic activity and financial information. As stated in the Report, the forecasts are based upon information and assumptions provided by or reviewed with and agreed to by Airport management and reflect Airport management's expected course of action during the forecast period and, in Airport management's judgment, present fairly the expected financial results for the Airport. The key factors and assumptions that are significant to the forecasts are set forth in the Report.

The Report should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts. As noted in the Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results and those results may be material. See "CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements" and "— Assumptions in the Airport Consultant's Report". The Report presents forecasted debt service coverage. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Application of Revenues and Debt Service Coverage – Exhibit G."

The following table provides the debt service coverage forecasts from the Report. See “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT— Application of Revenues and Debt Service Coverage – Exhibit G.” Such table is qualified in its entirety by reference to the complete copy of the Report. The information set forth in the following table was calculated in the same manner as the historical debt service coverage information set forth in Table 8 (prepared by the City).

Debt Service Coverage Forecasts from the Report – Base Case ⁽¹⁾

	Forecast							
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Gross Revenues	\$434,941	\$469,305	\$504,730	\$546,813	\$666,405	\$946,110	\$967,900	\$985,018
Less: Operation and Maintenance Expenses	<u>(209,304)</u>	<u>(232,543)</u>	<u>(243,077)</u>	<u>(253,678)</u>	<u>(281,851)</u>	<u>(363,875)</u>	<u>(389,625)</u>	<u>(410,477)</u>
Net Revenues	\$225,636	\$236,762	\$261,652	\$293,135	\$384,555	\$582,234	\$578,274	\$574,540
Plus: Other Available Funds ⁽²⁾	<u>19,575</u>	<u>22,110</u>	<u>26,408</u>	<u>32,193</u>	<u>51,123</u>	<u>101,480</u>	<u>102,482</u>	<u>101,964</u>
Revenues Plus Other Available Funds	\$245,212	\$258,872	\$288,061	\$325,328	\$435,678	\$683,715	\$680,756	\$676,504
Less: Administrative Expenses ⁽³⁾	=	=	=	=	=	=	=	=
Subtotal	\$245,212	\$258,872	\$288,061	\$325,328	\$435,678	\$683,715	\$680,756	\$676,504
Revenue Bond Debt Service Requirements ⁽⁴⁾	\$78,301	\$88,439	\$105,632	\$128,771	\$204,494	\$405,922	\$409,926	\$407,854
Debt Service Coverage	3.13	2.93	2.73	2.53	2.13	1.68	1.66	1.66
Debt Service Coverage Requirement	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

(1) Amounts shown for Fiscal Year 2026 are estimates and amounts for Fiscal Years 2027 through 2033 are forecasts.

(2) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of “Other Available Funds” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES” in this document.

(3) Administrative Expenses primarily consist of paying agent and rebate analyst fees and are anticipated to be de minimis.

(4) Amounts are net of PFCs and anticipated LOI grants used to pay debt service. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges” in this document.

Source: Report of the Airport Consultant

In connection with the issuance of the Bonds, LeighFisher will provide the City with a separate “Additional Bonds Test Report” in satisfaction of the requirements of the Revenue Bond Ordinances for the issuance of Additional Revenue Bonds. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Additional Revenue Bonds” in this document. The Additional Bonds Test Report will take into account the issuance of the Bonds, but not any future issuances of Additional Revenue Bonds (referred to in the Report as “Future Bonds”).

Prospective Financial Information

The prospective financial information set forth in the Report in Appendix A was not prepared by the Airport Consultant with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of Airport management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Airport. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this document are cautioned not to place undue reliance on this prospective financial information. See “CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements” and “– Assumptions in the Report of the Airport Consultant”.

Neither the City’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained in this document, including the Report, nor have they expressed any opinion or any other form of assurance to the City on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information prepared by the Airport Consultant.

CERTAIN INVESTMENT CONSIDERATIONS

General

Investment in the Bonds involves risks, some of which are described below or elsewhere in this document. Prospective investors are advised to consider the following factors, among others, and other information in this document, including all of the Appendices, in evaluating whether to purchase Bonds. The factors discussed below are not meant to be a comprehensive or exhaustive list of all of the risks that should be considered, and the order in which these investment risks are presented does not necessarily reflect their relative importance. Any one or more of the risks and other considerations discussed below, among others, could lead to a decrease in the market value and/or in the marketability or liquidity of the Bonds, and no assurance can be given that other risk factors and investment considerations will not become material in the future.

The principal of and interest on the Bonds are payable pursuant to the Ordinances solely from the Net Revenues of the Airport System and moneys on deposit in the Debt Service Fund and the Debt Service Reserve Fund. The ability to pay debt service on the Bonds will depend on the receipt of sufficient Gross Revenues, including the receipt of PFC revenues, a portion of which the City has covenanted in the Ordinances to set aside for payment of the Revenue Bonds.

The Airport System's ability to generate Gross Revenues, and any PFC revenues, depends upon sufficient levels of aviation activity and passenger traffic at the Airport. The achievement of increased passenger traffic will depend partly on the profitability of the airline industry and the ability of individual airlines to provide sufficient capacity to meet demand. A weak economy, pandemic outbreaks, international hostilities and the threat of terrorist activity, among other events, reduce demand for air travel. To the extent the Airport System is unable to make up revenue shortfalls, the City's ability to pay debt service on the Bonds may be adversely affected.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement and should specifically consider certain risks associated with investment in the Bonds. There follows a summary of some, but not necessarily all, of the possible investment considerations and risks which should be carefully evaluated by prospective purchasers of the Bonds prior to the purchase thereof. Moreover, the order in which investment considerations are presented in this caption is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. The Bonds may not be suitable investments for all persons. Prospective purchasers should be able to evaluate the risks and merits of an investment in the Bonds and should confer with their own legal and financial advisors before considering a purchase of the Bonds.

Limited Obligations

The Bonds, together with the Currently Outstanding Revenue Bonds and any Additional Revenue Bonds, when and if issued, are limited special obligations of the City payable from, and equally and ratably secured by, a first lien on the Net Revenues of the Airport System and the Debt Service Fund and Debt Service Reserve Fund established in the Ordinances. No mortgage of any of the physical properties forming a part of the Airport System or any lien thereon or security interest therein has been given. **The Bonds are not general obligations of the City, and neither the taxing power of the City nor the State is pledged as security for the Bonds.** See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS" in this document.

No Acceleration

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation, on the occurrence or continuance of an event of default in the payment of debt service on any of the Revenue Bonds (including the Bonds) or a default in the performance of any duty or covenant provided by law, in the Ordinances or in the other Revenue Bond Ordinances. Upon the occurrence of such an event of default, Owners of the Bonds would only be entitled to principal and interest payments on the Bonds as they come due. In the event of multiple defaults in payment of principal of or interest on the Bonds, Owners of the Bonds could be required to bring a separate action for each payment not made.

Under certain circumstances, Owners of the Bonds may not be able to pursue certain actions or remedies or to enforce covenants contained in the Ordinances. In addition, since Net Revenues are that portion of Gross Revenues that remain after paying Operation and Maintenance Expenses of the Airport System, and the City is not subject to involuntary bankruptcy proceedings, the City may be able to continue indefinitely collecting Gross Revenues and applying them to the operation of the Airport System even if an event of default has occurred and no payments are being made on the Bonds. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Remedies” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES” in this document.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. Consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. This has made pricing and marketing even more competitive in the U.S. airline industry. Smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing, which services have grown significantly since the onset of the COVID-19 pandemic. Further, increased adoption of videoconferencing technologies during the COVID-19 pandemic and increased acceptance of these methods of communicating could reduce the demand for business travel, though the impact of such technologies on the demand for business travel is not known at this time.

Factors Affecting the Airline Industry

General Factors Affecting Air Carriers. The ability of the airlines serving the Airport to generate revenues depends and, therefore, the amount of Net Revenues available for payment of the Revenue Bonds (including the Bonds), in part, upon the financial health of the aviation industry in general. The economic condition of the aviation industry is volatile and periodically the industry undergoes significant changes, including mergers, acquisitions, bankruptcies and closures. Further, the aviation industry is sensitive to a variety of factors, including (i) the cost and availability of financing, labor, fuel, aircraft and insurance, (ii) regional, national and international economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing, (vi) traffic and airport capacity constraints of the Airport and competing airports, (vii) governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements, (viii) passenger demand for air travel and (ix) disruption caused by airline accidents, criminal incidents, acts of war or terrorism, such as the events of September 11, 2001, and public health emergencies, such as the COVID-19 pandemic. The aviation industry is also vulnerable to strikes and other union activities. The number of passengers at the Airport depends partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly Southwest, Delta, American and United, to make the necessary investments to provide service.

In addition to revenues received from the airlines, the City derives a substantial portion of its revenues from parking operations, food and beverage concessions, retail concessions, car rental companies, and other non-airline sources. See Tables 6 and 7 in “HISTORICAL FINANCIAL DATA” in this document. Declines in passenger traffic at AUS may adversely affect the commercial operations of many of such concessionaires. While the City’s agreements with retail, food and beverage concessionaires as well as car rental companies require them to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire or rental car company to make a required payment or could lead to the cessation of operations of such concessionaire or rental car company.

Many of these factors are outside the City’s control. Changes in demand, decreases in aviation activity and their potential effect on enplaned passenger traffic at the Airport may result in reduced Gross Revenues and PFCs. Following are just a few of the factors affecting the airline industry including regional and national economic conditions, costs of aviation fuel, airline concentration, international conflicts and threats of terrorism and structural changes in the travel market. See also “– Aviation Security and Safety Concerns” below for additional discussion on the costs of security.

General Factors Affecting Airline Activity. Numerous factors affect air traffic generally and air traffic at AUS specifically. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing strategies of the airlines serving the airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport. In addition, the onset of war and the threat of renewed terrorist attacks may dampen air traffic. Although the City has developed contingency plans that make assumptions as to factors described above and suggest a prudent response to such events, the City may anticipate but can never predict the occurrence of any particular event or trend that could adversely impact airline traffic.

Aviation Security Concerns and Other Travel Market Changes. Concerns about the safety of airline travel and the effectiveness of security and health safety precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security and health screening procedures could lead to both the avoidance of travel and the switch from air to surface modes of transportation for short trips. See “CERTAIN INVESTMENT CONSIDERATIONS – Aviation Security and Safety Concerns.”

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (the “TSA”), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA also has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks.

Historically, airline travel demand has recovered after temporary declines stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. If precautions by government agencies, airlines and airport operators maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Passenger traffic at U.S. airports is also influenced by the globalization of business and increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and geopolitical relationships.

Concerns about hostilities, terrorist attacks, and other perceived security and public health risks, and associated travel restrictions also affect travel demand to particular international destinations.

Future increases in international passenger traffic will depend partly on global economic growth, a stable and secure international travel environment, and government policies that do not unreasonably restrict or deter travel.

Geopolitical Conflicts. The U.S. aviation industry, including the Airport and the airlines serving the Airport, are exposed to risks from geopolitical conflicts and shifting international politics, such as those in Ukraine, the Middle East, Africa, southeast Asia, and Latin America. Risks associated with geopolitical conflicts have become manifest by recent hostilities involving the United States, Israel and Iran, which have broadened to surrounding countries. To the extent such hostilities continue, the war may further broaden destabilize one or more governments or incite other disruptive consequences, including inflationary pressure and general economic headwinds, disruption of trade routes and supply chains and an increased risk of cyber-attacks from hostile adversaries and their agents.

Regional wars, military actions and other conflicts could affect commercial aviation by impacting the global economy. Potential effects include: (i) increased commodity and fuel prices and strained global supply chains; (ii) disruptions due to economic sanctions imposed on certain countries, institutions, companies and commodities; (iii) closure of affected airspace forcing route and service suspensions; and (iv) increased risk of cyber-attacks against government agencies, financial institutions and infrastructure. Additionally, trade disputes, increased tariffs, and changes in visa

requirements may increase aviation industry costs, create economic volatility, and reduce demand for international travel, potentially decreasing passenger and cargo traffic through the Airport.

Uncertainties of the Airline Industry. Airline fares have an important effect on passenger demand, particularly for relatively short trips, for which automobile and other surface travel modes are potential alternatives, and for price-sensitive discretionary travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management, passenger demand, airline market presence, labor, fuel and other airline operating costs, taxes, fees and other charges assessed by governmental and airport agencies, and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Effect of Airline and Concessionaire Bankruptcies

The bankruptcy of a Signatory Airline (or of a Non-Signatory Airline or any other tenant or concessionaire at the Airport) can result in significant delays, significant additional expenses and/or significant reductions in payments, or even in nonpayments to the City and consequently in a reduction in the amount of Net Revenues of the Airport.

Although with an O&D airport (like the Airport) that has residual ratemaking for costs of the airfield and preferential use agreement, leases and other agreements at the terminals, expectations would be that the amounts other airlines would be required to pay for use of the airfield would be sufficient to make up any shortfalls attributable to an airline in bankruptcy and that payments by other airlines and concessionaires in the terminals would be adequate to pay terminal-related expenses and debt service, but the other airlines likely would not be required to make up for unpaid post-bankruptcy usage and rental of terminal and concourse space and ramps, and no assurances can be given that the other airlines would be able to pay such additional amounts when needed, particularly if the bankruptcy occurred during a period in which many of the airlines and other users were struggling.

A number of airlines that served or are currently serving the Airport have filed for bankruptcy protection in the past and may do so in the future. Most recently, on August 29, 2025, Spirit Airlines filed for Chapter 11 bankruptcy protection to shed liabilities from its balance sheet by redesigning its network, right sizing its fleet, and re-examining its cost structure. Spirit Airlines accounted for the Airport's seventh largest share of enplaned passengers in Fiscal Year 2025. In a March 13, 2026 press release, Spirit Airlines stated that it expects to emerge from bankruptcy by early summer 2026. Based on Spirit Airlines' statement and given that Spirit Airlines only accounted for 1.6% of enplaned passengers in Fiscal Year 2025, the Airport does not anticipate any immediate and materially adverse effect on the operations and revenues of the Airport.

Historically, bankruptcies of airlines operating at the Airport have resulted in transitory reductions of service levels, even in cases where such airlines continued to operate in bankruptcy. Future bankruptcies, liquidations or major restructurings of other airlines may occur. While it is not possible to predict the full impact on the Airport of the Spirit Airlines bankruptcy or any future bankruptcies, liquidations or major restructurings of airlines, if any airline has significant operations at the Airport, its bankruptcy, liquidation or a major restructuring, could have a material adverse effect on revenues of the Airport, operations at the airport, and the costs to other airlines to operate at the Airport (as certain costs allocated to any such airline or concessionaire may be passed on to the remaining airlines there can be no assurance that such other airlines would be financially able to absorb the additional costs) and may result in delays or reductions in payments on the Airport's indebtedness (including the Bonds).

Other possible effects of a bankruptcy of an airline include, but may not be limited to, delays or other reductions in revenues received by the Airport and potentially in delays or reductions in payments on the Bonds. Regardless of any specific adverse determinations in airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds. The Airport has not incurred any material losses from recent airline bankruptcies.

The Airport makes no representation with respect to the continued viability of service patterns or the impact of any airline failures on Airport revenues. The Airport cannot predict how any such bankruptcy filing or court action could impact the Airport's operation or financial condition.

Airline Leases and Executory Contracts

In the event a Signatory Airline seeks protection under the United States Bankruptcy Code (the “Bankruptcy Code”), the Signatory Airline or its bankruptcy trustee would be required to determine whether to assume or reject its Use and Lease Agreement or any other lease from the City of non-residential real property or an executory contract (such as a license) within 120 days or later, if ordered by the bankruptcy court. In the case of any other agreements with the City, a debtor airline would not be required to assume or reject its agreement prior to the confirmation of a plan of reorganization.

If the agreement is assumed, the airline would be required to cure any prior defaults and to provide “adequate assurance” of future performance. What constitutes “adequate assurance” is up to the Bankruptcy Court, however, and may not be adequate for the City’s purposes. Even if all such amounts ultimately are paid, the City could experience long delays in collecting amounts due under the agreement. If an agreement such as an unexpired lease is rejected, the City would have an unsecured claim for damages, the amount of which would be limited to the amounts unpaid prior to the bankruptcy plus the greater of one year’s rent or 15% of the total remaining lease payments, not to exceed three years. It is likely that the amount received following the rejection of a lease or of an executory contract would be materially less than the face amount of the claim. In addition, until the assumption or rejection of an agreement, a debtor airline would not be permitted, absent a court order, to make any payments on account of goods or services (including landing fees and accrued rent) provided prior to bankruptcy. See “CERTAIN INVESTMENT CONSIDERATIONS – Effect of Airline and Concessionaire Bankruptcies – Automatic Stay, Preference Claims and PFC Issues” in this document.

Financing Leases and Other Financing Contracts

Although the City believes that most of its arrangements with the Signatory Airlines (and with the Non-Signatory Airlines and Airport tenants and concessionaires) are executory contracts or leases of non-residential real property, a bankruptcy court could determine that a contract or lease instead is a financing device. If a lease or other agreement is treated as a financing device, the airline, tenant or concessionaire may keep and use the asset but debt service may be suspended in whole or in part during the course of the bankruptcy and in the end, the amount of the debt and the payment schedule and level may be reduced or extended as part of a reorganization plan. The determination by the court of the type of agreement and the nature of a transaction in many cases is a fact-intensive, laborious and time-consuming matter. It is not uncommon for a bankrupt tenant or customer to contend that a “lease” really is a financing device so that the tenant can decline to make periodic rental payments during the period the issue is being considered by the court.

Automatic Stay, Preference Claims and PFC Issues

Upon the filing of a bankruptcy proceeding, Section 362 of the Bankruptcy Code stays virtually all creditor actions to litigate to judgment or to collect on a debt, to remove a non-paying tenant from possession or to exercise any other remedies. This automatic stay can result in lengthy delays in a creditor’s ability to exercise its rights. The Bankruptcy Code also provides that any payments made to the creditor within 90 days (365 days for “insiders”) before the bankruptcy are subject to recovery by the debtor as a “preferential payment.”

The PFC Act and FAA regulations provide that PFC revenue collected by the airlines (other than the handling fee and interest collected on unremitted proceeds) constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFC (the City), and FAA regulations require the airlines to account for PFC collections separately and to disclose in financial statements the existence and amount regarded as trust funds. The airlines, however, are permitted to commingle PFC collections with other airline funds, and bankruptcy courts have not fully addressed such trust arrangements.

In connection with proceeds held by airlines in bankruptcy outside of the United States, the City cannot predict what types of orders or relief could be issued by foreign tribunals or the extent of delays in connection with such proceedings or the extent to which such orders would be enforceable in the United States.

Regardless of any specific adverse determinations and delays in an airline bankruptcy proceeding, an airline bankruptcy proceeding, particularly a bankruptcy of a Signatory Airline, could have a material adverse effect on the liquidity and value of the Bonds.

A bankruptcy of a non-airline tenant or concessionaire would raise challenges similar to those described above in connection with airline bankruptcies. Many of the major rental car companies operating at the Airport have filed for bankruptcy in recent years, and it is possible that rental car companies will file for bankruptcy in the future. Although the City's CFC agreements with the rental car companies contain trust language similar to the language contained in the PFC Act and in FAA regulations for PFCs, no statute protects CFCs, and it is not certain that federal courts would respect the intent of such arrangements for CFCs, particularly since rental car companies are permitted to commingle CFCs with their own funds.

Effect of a City Bankruptcy

Under current Texas law (Chapter 140 of the Texas Local Government Code), cities are authorized to file bankruptcy petitions under Chapter 9 of the Bankruptcy Code. In the event the City becomes a debtor in a bankruptcy case, the owners of the Bonds may encounter significant payment delays and significant risks of nonpayment. Bond owners may not have a lien on Net Revenues unless a bankruptcy court determines that the Net Revenues are "special revenues" within the meaning of the Bankruptcy Code. No assurance can be given that a court would make such a determination. Revenues are held by the City and applied to payment of Costs of Operation and Maintenance before being transferred to the paying agent/registrar. Even if a court determines that Revenues are "special revenues," no assurance can be given that the court would not permit the City to use such Revenues to pay costs of operating the non-airport facilities before being transferred to pay debt service on Bonds. If Net Revenues are not "special revenues" or if Revenues are applied to pay operating costs of other City facilities, there could be very significant delays or reductions in payments or nonpayment of the Bonds. A bankruptcy of the City also would trigger cross defaults under many of the City's other agreements, which also would lead to the possibility of additional delays and significant losses.

Aviation Security and Safety Concerns

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against future terrorist incidents and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage, and cargo, and deployment of new screening technologies. The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing the new security measures. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Concerns about the safety of airline travel and the effectiveness and inconvenience of security precautions influence passenger travel behavior and air travel demand. Intensified security precautions instituted by government agencies, airlines and airport operators have vastly increased costs, some of which have been or will be passed on to travelers and airlines. No assurance can be given that these precautions will be successful or that the increased costs or uncertainty will not materially affect travel demand or profitability. Another terrorist attack or any other event that undermines confidence in the safety of air travel likely would have an immediate and material effect on air travel demand.

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high profile disappearance of Malaysia Airlines Flight 370 and the crash of Malaysia Airlines Flight 17. Concerns about the safety of air travel were heightened in 2016 by gun and bomb attacks at Brussels Airport and at Istanbul Ataturk Airport. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays

associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Since 2018, several airline crashes and mid-air incidents have occurred, including, among others, (a) a Boeing 737 MAX aircraft operated by Lion Air crashed off the coast of Indonesia killing all onboard, (b) a Boeing 737 MAX aircraft operated by Ethiopian Airlines crashed in Ethiopia killing all onboard, (c) a panel in the aircraft fuselage of a Boeing 737 MAX aircraft operated by Alaska Airlines blew out mid-flight (all passengers survived), (d) a PSA Airlines Bombardier CRJ700 regional jet operated by American Airlines collided with a helicopter on final approach to Reagan Washington National Airport killing all on board the plane and the helicopter, (e) a CRJ regional jet operated by Endeavor Air crashed while landing at Toronto Pearson International Airport (all passengers survived), (f) a Boeing 787-8 Dreamliner operated by Air India crashed soon after takeoff in Ahmedabad, India killing all but one onboard and killing 19 people and injuring 67 others on the ground, and (g) a CRJ-900 operated by Jazz Aviation crashed into a firetruck on the runway at LaGuardia Airport killing at least two people and injuring many more. Travel behavior may be affected by anxieties about the safety of flying, which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes. There can be no assurance that similar issues with aircraft utilized by the airlines will not occur or that any such issues, if they occur, would not have a material adverse effect on the airline industry.

Public Health Concerns

Public health and safety concerns have also affected air travel demand from time to time. The City is unable to predict the impact of any future pandemic, what effect it may have on air travel to and from the Airport, and whether any such affects will be material.

In addition, the Airport's operations and finances could be significantly affected in the future by health and safety concerns relating to a resurgence in COVID-19 or other viruses, which could result in permanent changes in air travel behavior and patterns as a result of residents' and businesses' telecommuting experiences during the outbreak, particularly a possible permanent decline in business travel.

The Airport cannot predict the extent and duration of changes in air traffic volume as a result of a pandemic and their associated economic impacts. Prospective investors should assume that the restrictions and limitations relating to any future pandemic, and the resulting upheaval to the air travel industry and the national and global economies, may occur and that recovery may be prolonged, adversely affecting the Airport's revenues. Future outbreaks, pandemics or other events outside the Airport's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Airport revenues.

Environmental Regulation

The Airport is tracking federal and state regulation developments for an emerging chemical of concern, per- and polyfluoroalkyl family of substances ("PFAS"). Several PFAS chemicals have been identified at the airport by the United States Air Force during environmental due diligence investigations and by Austin Aviation on several mid-airfield projects. The chemicals are primarily associated with aqueous film forming foam discharges from airport firefighting activities and fire suppression system discharges at the Airport. The Airport is working closely with State of Texas regulators in managing the soils and affected Aircraft Rescue and Firefighting trucks at the Airport. The Airport is actively managing the PFAS contaminated soil and working on remediation efforts on-site in coordination with State and Federal regulators.

Climate Change

Societal concerns about the contribution of the airline industry's use of petroleum-based jet fuel to the emission of carbon dioxide and other greenhouse gases into the atmosphere might lead to decreased demand for air travel. However, it is unlikely that the airline industry will be able to develop economic alternatives to petroleum-derived jet fuel in the near future. Therefore, in order to sustain growth, the airline industry will need to increase efficiencies in fuel usage and mitigate emissions, which require substantial financial investment and changes to the operating economics of the aviation industry. In the long term, the airline industry will need to develop aircraft technologies that

use alternative fuels, such as hydrogen and electric power. It is likely that some of the airlines' increased costs will be passed on to passengers, thereby negatively influencing demand.

Delays and Cost Increases; Additional Indebtedness

The estimated costs of and schedules for capital improvement projects at the Airport, including the AEDP, are subject to a number of uncertainties. The City's ability to complete projects may be adversely affected by a number of factors, including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects and other change orders, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) delays in acquiring and unavailability of right-of-way and unforeseen site conditions, (vii) adverse weather conditions, earthquakes or other casualty events, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation, (xi) environmental and/or permitting issues, and (xii) litigation. No assurance can be given that the projects will not cost more than the current budgets for these projects. The City expects to fund its other project costs with a combination of PFCs, available Net Revenues, and proceeds from the sale of Subordinate Notes, Additional Revenue Bonds, federal grants and investment income. In the event one or more of these funding sources is not available to the City in the amount or on the schedule contemplated by the City, the implementation of some of the projects may be delayed. Any schedule delays or cost increases could result in the need to issue Additional Revenue Bonds or other obligations and may result in increased costs that cannot be recovered from the airlines.

Regulations and Restrictions Affecting the Airport

The operations of the Airport System are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Use and Lease Agreements and the Operating Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, AUS also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Austin Aviation management.

It is not possible to predict whether future restrictions or limitations on Airport System operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport System, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Net Revenues. See "– Aviation Security and Safety Concerns" above in this document, "CAPITAL IMPROVEMENT PROGRAM" and "REGULATION – Passenger Facility Charges" in this document.

Ability to Meet Rate Covenant

As described in "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant" in this document, the City has covenanted in the Ordinances that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the rate covenant set forth in the Ordinances is met. If PFCs or other amounts (other than Net Revenues) have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds, the principal and/or interest on such Revenue Bonds is excluded from the calculation of Debt Service Requirements; thus decreasing Debt Service Requirements and increasing debt service coverage for purposes of the rate covenant under the Ordinances. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS - Availability of PFCs and PFC Approval" in this document.

If Net Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenant in any Fiscal Year, the Ordinances provide for procedures under which the City would retain and request an Airport Consultant to make recommendations as to the revision of the City's rentals, rates, fees and other charges, its Operating and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the rate covenant set forth in the Ordinances. The Ordinances provide that so long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues

plus Other Available Funds are not sufficient to be in compliance with the rate covenant set forth in the Ordinances, so long as Debt Service is paid when due.

Increasing the schedule of rentals, rates, fees and other charges for the use of the Airport System and for services rendered by the City in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see “– Regulations and Restrictions Affecting the Airport” above in this document). Implementation of an increase in the schedule of rentals, rates, fees and other charges for the use of the Airport System could have a detrimental impact on the operation of the Airport System by making the cost of operating at the Airport System unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport System. Notwithstanding this potential detrimental impact, the Use and Lease Agreements acknowledge the existence of the rate covenant under the Ordinances and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

Availability of PFCs and PFC Approval

In addition to the use of Net Revenues, the City expects to use between \$16.8 million and \$63.0 million of PFCs each Fiscal Year between Fiscal Years 2026 and 2033 to pay a portion of the debt service on the Revenue Bonds (including the Bonds). The City also intends to use a portion of the current PFC balance for pay-as-you-go projects currently ongoing such as the replacement of aging Passenger Boarding Bridges at the Barbara Jordan Terminal. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges,” “REGULATION – Passenger Facility Charges” and “CERTAIN INVESTMENT CONSIDERATIONS - Ability to Meet Rate Covenant” in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of “Gross Revenues.” Consistent with the definition of “Debt Service Requirements” in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See “SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant” and “– Additional Revenue Bonds” in this document and the definition of “Debt Service Requirements” in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions” in this document. As described in “REGULATION – Passenger Facility Charges” in this document, under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of September 2035.

The amount of PFC revenue received by the City in future years will vary based upon the actual number of PFC-eligible passenger enplanements at AUS. No assurance can be given that any level of enplanements will be realized. See “CERTAIN INVESTMENT CONSIDERATIONS - Factors Affecting the Airline Industry” and “– Ability to Meet Rate Covenant” above in this document. See also “REGULATION - Passenger Facility Charges” above in this document. Additionally, the FAA may terminate the City’s authority to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA’s approval, the PFC Act or regulations promulgated by the FAA under authority of the PFC Act (“PFC Regulations”), or (b) the City otherwise violates the PFC Act or the PFC Regulations. The City’s authority to impose a PFC may also be terminated if the City violates certain provisions of the ANCA and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the City’s authority to impose a PFC would not be summarily terminated. No assurance can be given that the City’s authority to impose a PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City or that the City will not seek to decrease the amount of PFCs to be collected, provided such decrease does not violate the City’s covenant in the Ordinances. A shortfall in PFC revenues may cause the City to increase rates and charges at AUS to meet the debt service requirements on the Revenue Bonds (including the Bonds) that the City plans to pay from PFCs, and/or require the City to identify other sources of funding for its capital program, including issuing Additional Revenue Bonds and/or Subordinate Obligations, to finance the pay-as-you-go projects currently expected to be paid with PFC revenues.

Availability of Funding for the Capital Improvement Program

The City's plan of finance assumes that proceeds of Revenue Bonds, Subordinate Obligations, PFC revenues on a pay-as-you-go basis, grants, and other available revenues of the City (including certain amounts to be on deposit in the Repair and Replacement Fund and the Capital Fund), will be received by the City in certain amounts and at certain times to pay the costs of the capital improvement program described in "CAPITAL IMPROVEMENT PROGRAM" in this document. No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed. See "CERTAIN INVESTMENT CONSIDERATIONS - Availability of PFCs and PFC Approval" and "- Federal Funding Considerations" in this document.

To the extent that any portion of the funding assumed in the plan of finance for a planned project is not available as anticipated, the City may be required to defer or remove certain of the projects or issue Additional Revenue Bonds and/or Subordinate Obligations to pay the costs of such projects.

Federal Funding Considerations

The City depends upon federal funding for the Airport not only in connection with grants and PFC authorizations but also because it is federal funding that provides for TSA, air traffic control and other FAA staffing and facilities. On May 16, 2024, the U.S. Senate passed a five year reauthorization bill for the FAA — the FAA Reauthorization Act of 2024 — which was signed into law by the President on May 16, 2024. The 2024 FAA reauthorization retains the federal cap on PFCs at \$4.50 and authorizes \$4.0 billion per year for the FAA's AIP grant program through federal fiscal year 2028, which is the same funding level as was in place for the preceding five years. The AIP provides federal capital grants to support airport infrastructure through entitlement grants, which are determined by formulas based on passenger, cargo and general aviation activity levels, and discretionary grants, allocated on the basis of specific set-asides and the national priority ranking system. Federal funding also is impacted by sequestration under the federal Budget Control Act of 2011. Except to the extent changed by Congress from time to time, sequestration is a multi-year process and could continue to affect FAA, TSA and Customs and Border Control budgets and staffing, which results in staffing shortages and furloughs and traffic delays at the Airport and also nationwide. Some of the TSA funding shortages are being addressed by increasing the amount (and removing the cap) on the security fees on tickets, but such fees have been controversial and no assurance can be given that such fees will be sufficient or that the increased ticket costs will not result in lower passenger enplanements. Moreover, recent lapses in federal funding have affected federal agencies' ability to provide sufficient staffing, services and facilities at various airports, including the Airport. Further, there can be no assurance that future reauthorization legislation will be enacted before the current authorization terminates at the end of federal fiscal year 2028. Failure to approve such legislation could have a material, adverse impact on operations at airports in the United States, including the Airport System.

The City and the Airport cannot make any predictions regarding potential governmental action on direct or indirect Federal funding that may impact the aviation industry, airports or local governments or their respective operations, or estimate the magnitude, if any, of such potential impacts.

Forward-Looking Statements

This Official Statement, including the Appendices and the documents incorporated by reference herein, contain "forward-looking statements," which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "plan," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement, including the Appendices hereto, that any person expects or anticipates will, should or may occur in the future, are forward-looking statements. These statements are based on assumptions and analysis made by the City in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors they believe are appropriate in the circumstances. However, whether actual results and developments will conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "CERTAIN INVESTMENT CONSIDERATIONS" in this document as well as additional factors beyond the City's control. The risk factors and assumptions described under such caption and elsewhere in this Official Statement could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement and any Appendices hereto are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated

will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Net Revenues or the operations of AUS. All subsequent forward-looking statements attributable to the City or persons acting on its behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those 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 does not assume any obligation to update any such forward-looking statements.

The forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to numerous 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, 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Assumptions in the Airport Consultant's Report

As noted in the Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may and are likely to occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" in this document.

Competition and Alternate Modes of Transportation

One significant source of non-airline revenues for the Airport is generated from ground transportation activity, including use of on-Airport parking facilities; trip fees paid by taxi, limousine and Transportation Network Companies ("TNCs"); shared rides; and rental car transactions by Airport passengers. While passenger levels are increasing, the relative market share of these sources of revenue is shifting. The Airport charges different fees and makes different profits from each product. There can be no assurance that passengers will not choose to utilize TNCs instead of parking or using rental cars in the future, which could result in a reduction in ground transportation revenues.

In addition to TNCs, new technologies (such as autonomous vehicles, connected vehicles or urban aerial ridesharing with VTOL (vertical takeoff and landing) aircraft) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the City makes every effort to anticipate demand shifts, there may be times when the Airport's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The City cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The City also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City, including the Airport, may be the target of cybersecurity incidents that could result in adverse consequences to the Airport and its Systems Technology, requiring a response action to mitigate the consequences.

The airlines serving the Airport and other Airport tenants also face cybersecurity threats that could affect their operations and finances. Computer networks and data transmission and collection are vital to the safe and efficient

operation of the airlines that serve the Airport and other tenants of the Airport. Despite security measures, information technology and infrastructure of any of the airlines serving the Airport or any other tenants may be vulnerable to attacks by outside or internal hackers (including attacks by foreign states), or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the airlines serving the Airport and the services provided at the Airport, thereby adversely affecting the ability of the Airport to generate revenue.

A significant cybersecurity incident could result in a range of potentially material negative consequences for the Airport, including unauthorized access to, disclosure, modification, misuse, loss or destruction of systems or data; theft of sensitive, regulated or confidential data, such as personal identifying information; the loss of functionality of critical systems through ransomware, denial of service or other attacks; financial losses due to wire fraud and other financial cybercrimes; and business delays, service or system disruptions, damage to equipment and injury to persons or property. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. The constantly changing nature of the threats means that the Airport may not be able to prevent all data security breaches or misuse of data. Similarly, the Airport depends on the ability of its key commercial partners, including airlines and technology vendors, to conduct their businesses in a manner that complies with applicable security standards and assures their ability to perform on a timely basis.

In addition, the costs of operation, consequences of defending against, preparing for, responding to and remediating an incident of cybersecurity breach may be substantial. As cybersecurity threats become more frequent, intense and sophisticated, costs of proactive defense measures may increase. Further, the Airport could be exposed to litigation, regulatory enforcement and other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, as well as injunctive relief requiring costly compliance measures. A cybersecurity incident could also impact the Airport's brand, harm its reputation and adversely impact the relationship with the Airport's customers, airlines, government partners, and employees. Failure to properly address these issues could also give rise to potentially material legal risks and liabilities. The airlines service the Airport and other Airport tenants, as well as the FAA and TSA, also face cybersecurity threats that could affect their operations and finances.

To mitigate these risks, the Airport employs industry best practices, including third-party cybersecurity assessments, comprehensive employee training programs, and cybersecurity insurance to offset potential financial losses. Proactive defenses, such as advanced threat detection, regular security audits, and robust incident response plans, further enhance the overall cybersecurity posture. As cyber threats continue to evolve, sustained investments in cybersecurity infrastructure and collaborative efforts with regulatory agencies and industry partners remain crucial to ensuring operational resilience and data protection.

Secondary Market

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

LITIGATION

A number of claims against and legal proceedings challenging actions by the City are pending with respect to various matters arising in the normal course of the City's operations. The City intends to vigorously defend itself against such claims and challenges but no assurance can be given that the City will prevail in all such matters. The City Attorney and City management are of the opinion that the City's available sources for payment are adequate to discharge any foreseeable liability resulting from an adverse adjudication of any such claims and challenges and that resolution of the matters pending will not have a material effect on the City's financial condition.

CONTINUING DISCLOSURE OF INFORMATION

The Ordinances include the following agreement by the City for the benefit of the Owners and beneficial owners of the Bonds. The Ordinances require the City to observe the agreement for so long as it remains an “obligated person” with respect to the Bonds. The City agrees in the Ordinances to give notices of any Bond calls and any defeasance that cause the City to be no longer an “obligated person.” 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

In the Ordinances, the City agrees to provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes (i) the portions of the financial statements of the City in APPENDIX B in this document and (ii) all quantitative financial information and operating data with respect to the City of the general type included in the main text of this Official Statement within the various tables (numbered 1 through 9). The City agrees to update and provide this financial and operating data as of the end of each Fiscal Year ending in or after 2026 within six months after the end of each Fiscal Year, and the financial statements within 12 months after the end of each Fiscal Year. The City is to provide the updated information to the MSRB through its Electronic Municipal Market Access (“EMMA”) information system.

The City may provide updated information in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) if it is available to the public on the MSRB’s internet website or filed with the SEC, as permitted by Rule 15c2-12 (the “Rule”), promulgated by the SEC. The Ordinances provide that the updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided at that time, the City is to provide notice that the audited financial statements are not available and provide unaudited financial information of the type described in the various tables (numbered 1 through 9) in this Official Statement and “unaudited financial statements” by the required time, and is to provide audited financial statements for the applicable Fiscal Year, when and if the audit report on the financial statements becomes available. The term “unaudited financial statements” means unaudited financial statements and tables described in the previous sentences. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B in this document or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City’s current Fiscal Year is October 1 to September 30. Accordingly, it must provide updated information by March 31 of each year unless the City changes its Fiscal Year. If the City changes its Fiscal Year, it will be required to notify the MSRB of the change.

Disclosure Event Notices

The City agrees to notify the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the 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; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar

events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Ordinances.

As used in the preceding paragraph, the terms “Business Day” and “Financial Obligation” are defined in the Ordinances. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions.” 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 official 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 Ordinances further provide that the City intends the words used in clauses (15) and (16) above and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. In the Ordinances, 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 Owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure provisions of the Ordinances 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 Bonds in the offering described in this Official Statement 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 Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. The City may also amend or repeal the continuing disclosure provisions of the Ordinances 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 Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “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.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the 2026A Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. Furthermore, under existing law, interest on the 2026B Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code, except for any period during which a 2026B Bond is held by a “substantial user” of the facilities financed or refinanced with the proceeds of the 2026B Bonds or a “related person” to such a “substantial user,” each within the meaning of section 147(a) of the Code and (ii) is an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The City has covenanted in the Ordinances that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Ordinances pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such other parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinances or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code imposes an alternative minimum tax on the “alternative minimum taxable income” of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual’s regular income tax. Generally, the alternative minimum taxable income of an individual will include items of tax preference under the Code, such as the amount of interest received on “private activity bonds” issued after August 7, 1986. Accordingly, Bond Counsel’s opinion will state that interest on the 2026B Bonds is an item of tax preference for purposes alternative minimum tax on individuals.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinances upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer

and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Discount

If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions in this document regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption,” “– Collateral Tax Consequences” and “– Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement.

Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such OID Bond.

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

Tax Accounting Treatment of Original Issue Premium

If the issue price of a maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

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, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities including the Federal Home Loan Banks;
- (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 secured by a combination of cash and obligations described in clauses (1) and (12) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas;
- (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency;
- (12) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank;
- (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with the United States Securities and Exchange Commission Rule 2a-7;
- (14) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities;

- (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. ; and
- (16) a brokered certificate of deposit security invested through a Texas broker approved by the City Council in which the broker or depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity in an amount insured by the United States or an instrumentality of the United States.

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

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

- (i) the value of securities loaned under the program are not collateralized at less than 100%, including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool;
- (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City;
- (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and
- (iv) the agreement to lend securities has a term of one year or less.

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

The City, as the owner of a municipal electric utility that is engaged in the sale of electric energy to the public, may invest funds held in a “decommissioning trust” (a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation) in any investment authorized by Subtitle B, Title 9, Texas Property Code (“Texas Trust Code”). The Texas Trust Code provides that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. The City has established an external irrevocable trust for decommissioning with Wilmington Trust, National Association. The decommissioning trust market value, as of December 31, 2025, was \$ 297,084,043.97.

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 Director of Financial Services of the City.

Additional Provisions

Under Texas law, the City is additionally required to:

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

- (5) provide specific investment training for the Chief Financial Officer of the City, Treasurer and Investment Officers.

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

Current Investments

As of December 31, 2025, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U. S. Treasuries	69%
U. S. Agencies	8%
Local Government Investment Pools	22%
Money Market Funds	1%

The dollar weighted average maturity for the combined City investment portfolios is 420 days. The City prices the portfolios weekly utilizing a market pricing service.

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its Home Rule Charter. The City Council is comprised of an eleven-member council, with the Mayor elected at-large, and the remaining members elected from ten single-member districts. Councilmembers, including the Mayor, serve a four-year term, with the terms staggered so that every two years five of the councilmembers and the Mayor stand for election, and five councilmembers stand for election two years later.

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 – T.C. Broadnax

Mr. T.C. Broadnax began serving as Austin City Manager on May 6, 2024. Prior to being appointed City Manager of the City of Austin, he previously served as the City Manager of the City of Dallas from 2017 to 2024. Prior to joining the City of Dallas, he served as City Manager of Tacoma, Washington and has more than 25 years of local government management experience. Mr. Broadnax is an International City/County Management Association Credentialed Manager and brings an emphasis on five core values of service: Empathy, Ethics, Excellence, Engagement, and Equity. His approach to public sector management and community engagement is rooted in values of inclusion and he has been instrumental in enhancing the quality of life for the residents of the cities he serves. Mr. Broadnax received a Bachelor of Arts degree in Political Science and Communications from Washburn University and a Master of Public Administration degree from the University of North Texas.

Deputy City Manager – Jon Fortune

Mr. Jon Fortune was appointed Deputy City Manager on June 10, 2024. Prior to joining the City of Austin, Mr. Fortune served as Deputy City Manager and Assistant City Manager for Public Safety for the City of Dallas from 2017-2024 and Assistant City Manager for the City of Denton from 2000-2017. Other professional roles include Director of Management and Budget, Chief Finance Officer, and Management Services Administrator, also at the City of Denton from 1991-2000. Mr. Fortune is a credentialed manager with the International City Management

Association (ICMA). His diverse experience includes leadership and oversight of all aspects of municipal operations, including public safety, emergency management, finance and budget, economic development, planning and development services, and utility and transportation operations. Mr. Fortune earned his Master's degree in Public Administration from the University of North Texas, a Bachelor's degree in Public Affairs and Administration from the University of Oklahoma and has completed the Senior Executives in State and Local Government program at Harvard University.

Chief Financial Officer – Ed Van Eenoo

Mr. Ed Van Eenoo was appointed Chief Financial Officer on December 6, 2020 and oversees the City of Austin's Budget and Organizational Excellence, Facilities Management, Financial Services, Fleet Mobility Services, and Information Services departments. Prior to his appointment as Chief Financial Officer, Mr. Van Eenoo served as Deputy Chief Financial Officer for eight years and as the Budget Officer at the City for four years. Before joining the City, he spent nine years with the City of Chula Vista including time as a Fiscal and Management Analyst, Assistant Director of Budget and Analysis, and four years as the Director of Budget and Analysis. Mr. Van Eenoo received a Bachelor of Science degree in Economics from The University of Eastern Michigan and a Master of Science degree in Applied Economics from Virginia Tech University.

Director of Financial Services – Kimberly Olivares

Ms. Kimberly Olivares currently serves as Director of Financial Services, which includes Accounting and Reporting, Procurement, Real Estate, Redevelopment, and Treasury functions. Financial Services also provides P3 facility delivery across the organization and development of financing structures for strategic initiatives. Ms. Olivares joined the City of Austin in 2003 and has held positions in the City Manager's Office, Public Works Department, and Financial Services Department. Prior roles within Financial Services include CIP Budget Manager, Deputy Budget Officer, Chief Performance Officer, and Deputy Chief Financial Officer. She received her B.A. from the University of Notre Dame, Master of Public Affairs from the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, and Master of Business Administration from St. Edward's University. She currently serves on the Executive Board of the Government Finance Officers Association and also serves as an Adjunct Assistant Professor at the University of Texas at Austin teaching graduate courses in public finance.

Deputy Chief Financial Officer – Diana Thomas

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

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 the Airport System, Austin Energy, Austin Water, 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.

Pension Plans

The City has three contributory defined benefit retirement plans for its general municipal, fire, and police employees. These three plans include the City of Austin Employees' Retirement System ("COAERS"), the City of Austin Police Retirement System (the "Police Retirement System") and the City of Austin Fire Fighters Retirement Fund (the "Fire Fighters Retirement Fund"). These plans are single employer funded plans, each with a fiscal year end of December 31. The three retirement plans cover substantially all full-time employees. The contributions made by the City to the COAERS include amounts allocable to the City employees within Austin Energy, Austin Water and Austin Aviation; the contributions allocable to such employees are paid from gross revenues of the respective systems and constitute operating expenses of Austin Energy, Austin Water, and Austin Aviation.

As of January 1, 2025, municipal employees contribute 10.0% and the City contributes 8.47% of payroll. The City also contributes according to a fixed payment plan established to eliminate the unfunded legacy liability existing as of December 31, 2022 over a 30 year period. The fiscal year 2026 budgeted amount related to the unfunded legacy liability payment is \$113.7 million.

As of January 1, 2025, fire fighters (who are not members of the Social Security System) contribute 18.7% of payroll, and the City contributes 22.05% to the Fire Fighters Retirement Fund. Effective on January 1, 2026, the City will also contribute according to a fixed payment plan established to eliminate the unfunded legacy liability existing as of December 31, 2024 over a 30-year period. The fiscal year 2026 budgeted amount related to the unfunded legacy liability payment is \$11.9 million.

As of January 1, 2025, police officers contribute 15.0% and the City contributes 10.78% of payroll to the Police Retirement System. The City also contributes according to a fixed payment plan established to eliminate the legacy liability existing as of December 31, 2020 over a 30-year period. The fiscal year 2026 budgeted amount related to the unfunded legacy liability payment is \$44.8 million.

As of December 31, 2024, the amortization period of the unfunded actuarial accrued liability was 29 years for the COAERS, 27.4 years for the Police Retirement System, and 30 years for the Fire Fighters Retirement Fund.

The City's net pension liability was measured as of December 31, 2024 for each of the City's three pension plans. Information on the liabilities and funding measurements of each plan is discussed below.

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

As of December 31, 2024, the COAERS reported a total net pension liability of \$2.4 billion, of which \$440.3 million is allocable to Austin Energy, \$259.7 million is allocable to Austin Water, and \$113.4 million is allocable to Austin Aviation. The COAERS' fiduciary net position as a percentage of the total pension liability was 59.9%. The actuarial accrued liability for the COAERS as of December 31, 2024, was \$6.0 billion and the funded ratio was 61.2%. As of December 31, 2023, the COAERS reported a net pension liability of \$2.3 billion with a plan fiduciary net position as

a percentage of the total pension liability of 58.4%. The actuarial accrued liability for the COAERS was \$5.6 billion and the funded ratio was 62.1%.

In 2023, legislation was passed in the 88th Texas Legislature (“SB 1444”) to address COAERS’ liabilities and place it on an actuarially sound path. SB 1444, as passed by the Texas Legislature and signed by the Governor, includes the following reforms which took effect on January 1, 2024:

- Increased employee contributions from 8% to 10% over a two-year phase-in-period;
- Increased City contributions pursuant to an actuarially determined funding model, which included a carve out of the legacy liability (as of December 31, 2022) into a separate payment over 30 years;
- Established an actuarially determined contribution model to replace the fixed contribution model;
- Modified benefit policies such as service purchase and sick-leave conversions that will mitigate the risk of future costs;
- Eliminated the authority of the COAERS Board to unilaterally provide cost of living adjustments or to change member benefits; and
- Modified the COAERS Board of Trustees governance structure, replacing one active member seat with one City appointed seat.

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

In 2021, legislation was passed in the 87th Texas Legislature to address the Police Retirement System’s liabilities and place it on an actuarially sound path. The legislative reforms to the Police Retirement System, which took effect on January 1, 2022, included:

- Established a new benefit tier for new sworn police officers with the following benefit parameters:
 - a 2.5% multiplier;
 - retirement eligibility at age 50 and 25 years of service; and,
 - average salary calculated on the highest 60 months;
- Increased employee contributions from 13% to 15%;
- Increased City contributions which included a carve out of the legacy liability (as of December 31, 2020) into a separate payment over 30 years;
- Established an actuarially determined contribution model to replace the current fixed contribution mode;
- Eliminated the authority of the Police Retirement System Board to provide cost of living adjustments, change member benefits or member contribution rates; and
- Reformed the governance structure by replacing one active member seat to a citizen seat appointed by City Council.

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

As of December 31, 2024, the Police Retirement System reported a net pension liability of \$795.7 million for the 2024 plan year, which is an increase from the \$763.6 million net pension liability reported for the prior 2023 plan year. The fiduciary net position as a percentage of the total pension liability increased to 57.6% for the 2024 plan year from 57.1% in the prior year. For plan year 2024, the Police Retirement System adopted changes to certain plan assumptions in March 2024, based on an experience study dated March 20, 2024, with experience data from January 1, 2018 through December 31, 2022. The assumption changes included a reduction in the wage inflation assumption (from 3.0% to 2.5%), an increase in the administration expenses (from 0.90% to 1.25%), and increases in the overall

termination and retirement rates to align with experience and future expectations. The assumption changes, among other contributing factors, resulted in an increase to the actuarial accrued liability. A full description of the assumptions for the Police Retirement System is available in the actuarial reports available on its website.

The actuarial accrued liability for the Police Retirement System as of December 31, 2024 was \$1.9 billion and the funded ratio was 58.3%. The actuarial accrued liability for the Police Retirement System as of December 31, 2023, was \$1.8 billion and the funded ratio was 58.9%.

Fire Fighters Retirement Fund. The members of the Fire Fighters Retirement Fund include commissioned firefighters and Texas state-certified employees of Austin Fire.

In 2025, legislation was passed in the 89th Texas Legislature (“HB 2802”) to address Fire Fighters Retirement Fund’s liabilities and place it on an actuarially sound path. HB 2802, as passed by the Texas Legislature and signed by the Governor, includes the following reforms:

- Established a new benefit tier for firefighters hired on or after January 1, 2026 with the following benefit parameters:
 - 3% multiplier;
 - average salary calculated on the highest 60 months;
 - no early retirement option;
 - modifications to the Deferred Retirement Option Program (“DROP”) program, including removal of the Retro DROP;
- Significant changes to cost of living adjustments;
- Established an actuarially determined contribution model to replace the current fixed contribution model;
- Increased City contributions pursuant to an actuarially determined funding model including a carve out of the legacy liability into a separate payment over 30 years;
- Modified the Fire Fighters Retirement Fund Board of Trustees governance structure by increasing from a 5 member board to 7 member board with the addition of one member seat and one City Council appointed citizen seat.

Members hired before January 1, 2026 are eligible to retire at 50 years of age with at least 10 years of service credit or with at least 25 years of service credit at any age. Retirement benefits are paid in the form of a monthly life annuity based on years of service times the highest 36 months of salary during the member’s contributing years of service and the multiplier is 3.3%. Early retirement options are also available.

As of December 31, 2024, the Fire Fighters Retirement Fund reported a net pension liability of \$349.5 million, with a plan fiduciary net position as a percentage of the total pension liability of 76.9%. The actuarial accrued liability for the Fire Fighters Retirement Fund was \$1.5 billion and the funded ratio was 76.9%. As of December 31, 2023, the Fire Fighters Retirement Fund reported a net pension liability of \$484.8 million and plan fiduciary net position as a percentage of the total pension liability of 70.6%. The actuarial accrued liability for the Fire Fighters Retirement Fund as of December 31, 2023, was \$1.5 billion and the funded ratio was 85.6%.

The Fire Fighters Retirement Fund adopted changes to certain plan assumptions in April 2024, based on an experience study dated March 25, 2024, with experience data through December 31, 2022. The assumption changes included use of the base PubS(A)-2010 above median mortality tables with fully generational improvement, adoption of a 1.25% of payroll administrative expense assumption, a reduction in the wage inflation assumption (from 3.00% to 2.50%) and changes to various demographic assumption tables. A full description of the assumptions for the Fire Fighters Retirement Fund is available in the actuarial reports available on its website. There was no cost of living adjustment granted for 2025.

The financial statements for each plan are accessible on their respective websites. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 10” in this document for additional information on the City’s Pension Plans. Also, see Note 10 of the City’s Annual Comprehensive Financial Report for their web addresses.

Other Post-Employment Benefits

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits (“OPEB”) to its retirees. The City’s OPEB plan is a defined-benefit single-employer plan. Allocation of City funds to pay OPEB other than pensions is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis. The City is under no obligation to pay any portion of the cost of OPEB for retirees or their dependents.

OPEB include access to medical, dental, and vision insurance for the retiree and the retiree’s family and \$1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City’s three pension systems are eligible for OPEB. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

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

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

The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City funds its OPEB liabilities on a pay-as-you-go basis. The pay-as-you-go cost of providing medical and life benefits was \$53.7 million in fiscal year 2025 and \$65.5 million in fiscal year 2024.

The City commissions a biennial actuarial valuation of its OPEB liability with a roll-forward prepared in the year in which there is no formal valuation. As of the most recent December 31, 2024 roll-forward actuarial valuation date, the City’s total OPEB liability decreased to \$1.3 billion from \$3.2 billion as of the actuarial valuation measured as of December 31, 2023. The decrease in the total OPEB liability was primarily driven by the requirement that Medicare eligible retirees must elect the new Medicare Advantage (MA) benefit plan effective January 1, 2025. Prior to January 1, 2025, enrollment into the MA plan was optional. The MA plans are rated to eliminate cost differences due to the age and the City’s contributions toward the MA plan premiums are much lower than contributions to other plan premiums.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS – Note 11” in this document for additional information on the City’s OPEB.

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund’s operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$6.4 million for claims and damages at the end of fiscal year 2025. Employee injuries are covered by the City’s Workers’ Compensation Fund and health claims are covered by the City’s Employee Benefits Fund. The accrued liabilities for certain claims and expenses for enterprise funds of the City are funded separately, from funds of the respective enterprise systems.

Environmental Responsibility

Austin Aviation has adopted an Environmental Policy Statement that the Airport will incorporate sustainable principles, climate resiliency best practices, and environmental stewardship into all aspects of its culture, planning, development and operations at the Airport. The Airport has worked to reduce its impact on the environment by recycling, using alternative fuels, reducing electric and water consumption, and building with recycled materials. Since 2021, the Airport has worked internally and with onsite stakeholders to achieve Level 3+ Carbon Neutrality accreditation through Airports Council International – Carbon Accreditation Program. This was achieved by reducing the Airport Scope 1, 2 & 3 carbon emissions and purchasing carbon credits to offset 100% of the airports residual emissions including business travel. The Airport has also developed and is implementing project specific sustainability goals for the AEDP.

OTHER RELEVANT INFORMATION

Ratings

The Bonds received ratings of “A1” (Stable outlook) from Moody’s Ratings, Inc. (“Moody’s”), “A+” (Stable outlook) from S&P Global Ratings, a division of S&P Global Inc. (“S&P”), and “AA-” (Stable outlook) from Kroll Bond Rating Agency, Inc. (“Kroll”). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price and marketability of the Bonds. Except as provided under “CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices” in this document, the City will undertake no responsibility to notify the owners of the Bonds of any such revisions or withdrawal of ratings.

Registration and Qualification

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the

authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from sources and in the manner described in this Official Statement and in the Ordinances. Issuance of the Bonds is also subject to receipt of the approving opinions of Bond Counsel. The forms of Bond Counsel's opinions are included in this document as APPENDIX D. The legal opinions of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel 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 in this Official Statement except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCE," "DESCRIPTION OF THE BONDS" (except for the information under the subcaption "Book-Entry-Only System"), "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS" (except for the information under the subcaptions "Remedies" and "Contingent Payment Obligations"), "CONTINUING DISCLOSURE OF INFORMATION," "TAX MATTERS," "OTHER RELEVANT INFORMATION – Registration and Qualification," "– Legal Investments and Eligibility to Secure Public Funds in Texas," and "– Legal Matters" (but only with respect to the first two paragraphs thereof), and under "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES," and such firm will render an opinion solely to the City and the Underwriters to the effect that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described, and such information conforms to the Bonds and the Ordinances.

In addition, certain legal matters will be passed upon (i) for the Underwriters by FBT Gibbons, counsel to the Underwriters, and (ii) for the City by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel for the City. Any opinion of Underwriters' Counsel will be rendered solely to the Underwriters, any opinion of Disclosure Counsel will be rendered solely to the City, and any opinion of Underwriters' Counsel or Disclosure Counsel will be limited in scope and cannot be relied upon by investors. The payment of legal fees to Bond Counsel, counsel to the Underwriters and Disclosure Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. In rendering legal opinions, 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.

Municipal Advisor

Frasca & Associates, LLC ("Frasca"), Fort Worth, Texas, is employed as the Municipal Advisor to the City in connection with the issuance, sale and delivery of the Bonds. The payment of the fee for services rendered by Frasca with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Frasca, in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documentation and with respect to the federal income tax status of the Bonds.

Pricing Advisor

PFM Financial Advisors LLC ("PFM"), Austin, Texas, has provided a limited scope of municipal advisory services to the City with respect to matters relating only to the pricing of the Bonds. The payment of the fee for services

rendered by PFM with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. PFM is an independent municipal advisory firm and is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Financial Information and Independent Auditors

The financial data listed as fiscal year 2026 has been derived from the internal records of the City. Deloitte & Touche LLP, the City's independent auditors, have not reviewed, examined, or performed any procedures with respect to the unaudited information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such financial information, and assume no responsibility for, and disclaim any association with the unaudited financial information and forward-looking information presented in this document. 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 the Independent Auditor's Report.

Underwriting

Jefferies LLC, on behalf of itself and the other underwriters listed on the front cover of this Official Statement (collectively, the "Underwriters") has agreed, subject to certain conditions, to purchase the 2026A Bonds from the City at a price equal to \$323,898,216.07, representing the principal amount thereof, plus an original premium of \$24,728,289.70 and less an underwriting discount of \$915,073.63. The Underwriters have agreed, subject to certain conditions, to purchase the 2026B Bonds from the City at a price equal to \$892,204,761.63, representing the principal amount thereof, plus an original premium of \$44,782,150.95 and less an underwriting discount of \$2,707,389.32.

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Underwriters have provided the following paragraph for inclusion in the Official Statement, and the City takes no responsibility for the accuracy thereof.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this Official Statement 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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Certification of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement, was approved and authorized by an Authorized Officer of the City pursuant to the Ordinances.

/s/ Kirk Watson

Kirk Watson

Mayor

City of Austin, Texas

ATTEST:

/s/ Erika Brady

Erika Brady

City Clerk

City of Austin, Texas

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APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF AUSTIN, TEXAS

AIRPORT SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2026A (Non-AMT)

and

AIRPORT SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2026B (AMT)

Prepared for

City of Austin, Texas

Prepared by

LeighFisher
San Francisco, California

March 30, 2026

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March 30, 2026

Ms. Ghizlane Badawi
Chief Executive Officer

Mr. Rajeev Thomas
Chief Finance Officer

Austin-Bergstrom International Airport
3600 Presidential Boulevard, Suite 411
Austin, Texas 78719

Re: **Report of the Airport Consultant
City of Austin, Texas
Airport System Revenue and Refunding Bonds
Series 2026A (Non-AMT) and Series 2026B (AMT)**

Dear Ms. Badawi and Mr. Thomas:

We are pleased to submit this Report of the Airport Consultant on the proposed issuance by the City of Austin, Texas (the City) of its Airport System Revenue Bonds (Revenue Bonds) to fund certain costs of capital improvements at Austin-Bergstrom International Airport (the Airport or AUS). The Airport comprises the Airport System, is owned by the City and operated by Austin Aviation (formerly the City's Department of Aviation). This letter and the accompanying attachment and financial exhibits constitute our report.

The City proposes to issue approximately \$1,203 million principal amount of Airport System Revenue Bonds Series 2026A (Non-AMT) and Series 2026B (AMT) (together the 2026AB Bonds). The City plans subsequently to issue Additional Revenue Bonds in the approximate principal amount of \$4,172 million in 2027 through 2030 (together the Future Bonds).

The 2026-2030 Project

The proposed 2026AB Bonds and planned Future Bonds are being issued to fund certain of the costs of the City's multi-year Airport Expansion and Development Program (AEDP), publicized by the City as "Journey with AUS". The AEDP is referred to in this report as the 2026-2030 Project. The report addresses the funding of the entire 2026-2030 Project.

The elements of the 2026-2030 Project, their estimated costs, and the funding plan are summarized in the attachment and Exhibits A-1 and A-2.* The estimated sources and uses of funds from the sale of the proposed 2026AB Bonds and planned Future Bonds are shown in Exhibit B. The forecast Debt

*All financial exhibits are provided at the end of the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts."

Ms. Ghizlane Badawi

Mr. Rajeev Thomas

March 30, 2026

Service Requirements of outstanding Revenue Bonds, the proposed 2026AB Bonds, and the planned Future Bonds are shown in Exhibit C.

Revenue Bond Ordinances

Each series of the 2026AB Bonds is to be issued under the terms of a separate Revenue Bond Ordinance adopted by the City in February 2026, which ordinances are substantially in the form of Revenue Bond Ordinances authorizing the issuance by the City of Revenue Bonds in 2013 through 2025. The Revenue Bond Ordinances authorizing the issuance of the 2026AB Bonds and the prior Revenue Bonds are collectively referred to as the Revenue Bond Ordinances. Capitalized terms are used in this report as defined in the Revenue Bond Ordinances or in the Airline Agreement (discussed later), except as defined otherwise. As of March 1, 2026, the City had outstanding Revenue Bonds in the aggregate principal amount of \$1,214.7 million.

Gross and Net Revenues

The proposed 2026AB Bonds and planned Future Bonds are to be issued as Additional Revenue Bonds under the Revenue Bond Ordinances and are to be secured by and payable from a first lien on the Net Revenues of the Airport System (Gross Revenues less Operation and Maintenance Expenses) on a parity with all outstanding Revenue Bonds.

Gross Revenues are generally defined in the Revenue Bond Ordinances to be, with certain exclusions, all income and revenues derived directly or indirectly from the operation and use of, and otherwise pertaining to, all or any part of the Airport System. Expressly excluded from Gross Revenues are, among other amounts, (1) passenger facility charge (PFC) revenues, (2) rental car customer facility charge (CFC) revenues and any other revenues derived from Special Facilities, and (3) Other Available Funds transferred to the Revenue Fund (all as discussed later). Operation and Maintenance Expenses are generally defined in the Revenue Bond Ordinances to exclude operating and maintenance expenses for Special Facilities payable by lessees under Special Facilities Leases.

Forecast Gross Revenues are presented in Exhibit E. Forecast Net Revenues and coverage of Debt Service Requirements are presented in Exhibit G.

Passenger Facility Charge Revenues

The City has authority from the Federal Aviation Administration (FAA) to impose a Passenger Facility Charge (PFC) of \$4.50 per eligible enplaned passenger at the Airport and to use PFC revenues to pay debt service on certain outstanding Revenue Bonds. Under the Revenue Bond Ordinances, PFC revenues are not a part of Gross Revenues but the City has covenanted that certain of such PFC revenues will be set aside during each Fiscal Year for the payment of Revenue Bond debt service in the following Fiscal Year (unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFC revenues will not reduce debt service coverage during the following Fiscal Year to less than 125%). Revenue Bond debt service paid from such set-aside PFC revenues is deducted in the calculation of Debt Service Requirements and debt service coverage for such following Fiscal Year. The City expects to use PFC revenues to pay a portion of the PFC-eligible debt service on the 2026AB Bonds, the outstanding Revenue Bonds, and planned Future Bonds and pay-as-you-go costs of certain PFC-eligible AEDP projects. The forecast sources and uses of PFC

Ms. Ghizlane Badawi

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March 30, 2026

revenues are shown in Exhibit F, assuming the continued imposition of a \$4.50 PFC and the use of PFC revenues to pay debt service to the maximum PFC-eligible amount.

Rental Car Customer Facility Charge Revenues

As of March 1, 2026, the City had outstanding approximately \$139.3 million principal amount of its Rental Car Special Facility Revenue Refunding Bonds, Taxable Series 2021 (the 2021 Rental Car Special Facility Bonds), which were issued to refund the 2013 Rental Car Special Facility Bonds, originally issued to pay certain of the costs of constructing the consolidated rental car center at the Airport. The 2021 Rental Car Special Facility Bonds are secured by and payable from revenues derived from a customer facility charge (CFC) collected by the rental car companies from all Airport rental car customers, currently assessed at a rate of \$6.75 per rental car transaction-day. Under the Revenue Bond Ordinances, the 2021 Rental Car Special Facility Bonds are not Revenue Bonds secured by the Net Revenues of the Airport System and CFC revenues are not included in Gross Revenues. In the report, rental car operations were considered insofar as they may affect Net Revenues, but the adequacy of CFC revenues to meet the debt service requirements of the 2021 Rental Car Special Facility Bonds was not analyzed.

Rate Covenant

In Section 5.03 of the Revenue Bond Ordinances, the City covenants that it will impose and collect rentals, rates, fees, and other charges for the use of the Airport System so that, in each Fiscal Year, Net Revenues will be at least sufficient to equal the larger of either:

- (a) All amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or
- (b) An amount that, together with Other Available Funds, is not less than 125% of the Debt Service Requirements of Revenue Bonds plus 100% of budgeted Administrative Expenses for the Fiscal Year.

Such provisions of Section 5.03 of the Revenue Bond Ordinances are referred to collectively as the Rate Covenant. The amount specified in Section 5.03(b) is forecast to be the larger during the forecast period. The City's Fiscal Year (FY) is the 12 months ended September 30.

Other Available Funds

Under the Rate Covenant, Other Available Funds are defined in the Revenue Bond Ordinances as unencumbered amounts in the Capital Fund in excess of the Minimum Capital Reserve, up to a maximum of 25% of the Debt Service Requirements of Revenue Bonds for a Fiscal Year, that are designated by the City as Other Available Funds before the beginning of any Fiscal Year and transferred at the beginning of that Fiscal Year to the Revenue Fund. This transfer has the effect of providing "rolling" debt service coverage to contribute to meeting the 125% requirement of the Rate Covenant.

Forecast debt service coverage calculated according to the requirements of the Revenue Bond Ordinances and demonstrating compliance with the Rate Covenant is presented in Exhibit G.

Ms. Ghizlane Badawi
Mr. Rajeev Thomas
March 30, 2026

Airline Use and Lease Agreement

Most of the airlines serving the Airport operate under the provisions of an Airline Use and Lease Agreement (the Airline Agreement) that became effective in January 2026 and extends to September 2035, with an option for the City to extend through September 2037. Airlines that are signatory to the Airline Agreement are:

Alaska Airlines
American Airlines
Delta Air Lines
Southwest Airlines
United Airlines

These five airlines, referred to collectively as the Signatory Airlines, accounted for approximately 91% of passengers enplaned at the Airport in FY 2025. Cargo Signatory Carriers are FedEx and UPS.

Under the Airline Agreement, landing fees are set according to cost-center residual principles while terminal rentals and other airline charges are set according to commercial compensatory principles. The Airline Agreement further provides for the payment of Supplemental Terminal Rentals to ensure that in each Fiscal Year the coverage of the Debt Service Requirements of Revenue Bonds by Net Revenues (without consideration of Other Available Funds) is not less than 140%. The scope and funding of the 2026-2030 Project is approved under the Airline Agreement, which does not require majority-in-interest or other approvals of additional capital projects or financings.

Scope of Report

This report was prepared to evaluate the ability of the City to generate Gross Revenues from the Airport System sufficient to pay Operation and Maintenance Expenses; pay the Debt Service Requirements of outstanding Revenue Bonds, the proposed 2026AB Bonds, and the planned Future Bonds; and to meet the debt service coverage requirements of the Rate Covenant.

In conducting the study, we reviewed and analyzed:

- Historical airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the service region, historical trends in airline traffic, enlarged terminal facilities to be provided by the 2026-2030 Project, and other key factors that may affect future airline traffic
- Estimated sources and uses of funds for the 2026-2030 Project and Debt Service Requirements of outstanding Revenue Bonds, the proposed 2026AB Bonds, and the planned Future Bonds
- Historical and forecast PFC revenues and the use of certain PFC revenues to pay the Debt Service Requirements of Revenue Bonds

Ms. Ghizlane Badawi

Mr. Rajeev Thomas

March 30, 2026

- Historical relationships among Gross Revenues, Operation and Maintenance Expenses, and airline traffic at the Airport and other factors that may affect future Net Revenues
- Historical financial results for the Airport enterprise through FY 2025 and budgeted financial results for FY 2026
- The City's policies and contractual arrangements relating to the use and occupancy of Airport facilities, including the calculation of airline rentals, fees, and charges under the Airline Agreement and the leasing of buildings and grounds
- The City's policies and contractual agreements relating to the operation of other Airport services and concessions, including public parking, rental car concessions, and terminal concessions
- Projections of financial results prepared by the City in 2025 to inform the negotiation of the Airline Agreement

We also identified key factors upon which the future financial results of the Airport may depend and formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts through FY 2033 presented in the exhibits at the end of the report. Estimates of project costs, financing assumptions, and debt service were provided by the sources noted in the exhibits.

Forecast Debt Service Coverage

As shown in Exhibit G, Revenue Bond debt service coverage is forecast to exceed the 125% coverage requirement of the Rate Covenant in each year of the forecast period assuming the entire 2026-2030 Project is implemented, all the proposed 2026AB Bonds and planned Future Bonds are issued, and payments will be made by the Signatory Airlines as required by the Airline Agreement.

The financial forecasts presented in the report are based on information and assumptions that were provided by, or reviewed with and agreed to by, Airport management. The forecasts reflect Airport management's expected course of action during the forecast period and, in Airport management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, projections, opinions, or conclusions disclosed in the report. We have no responsibility to update the report to reflect events and circumstances occurring after the date of the report.

Ms. Ghizlane Badawi
Mr. Rajeev Thomas
March 30, 2026

* * * * *

We appreciate the opportunity to serve as the City's Airport Consultant on the proposed financing.

Respectfully submitted,

A handwritten signature in black ink that reads "Leigh Fisher". The signature is written in a cursive, flowing style. Below the signature, there is a single, long, horizontal stroke that tapers at both ends, likely a flourish or a separator line.

LEIGHFISHER

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE
FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF AUSTIN, TEXAS

AIRPORT SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2026A (Non-AMT)

and

AIRPORT SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2026B (AMT)

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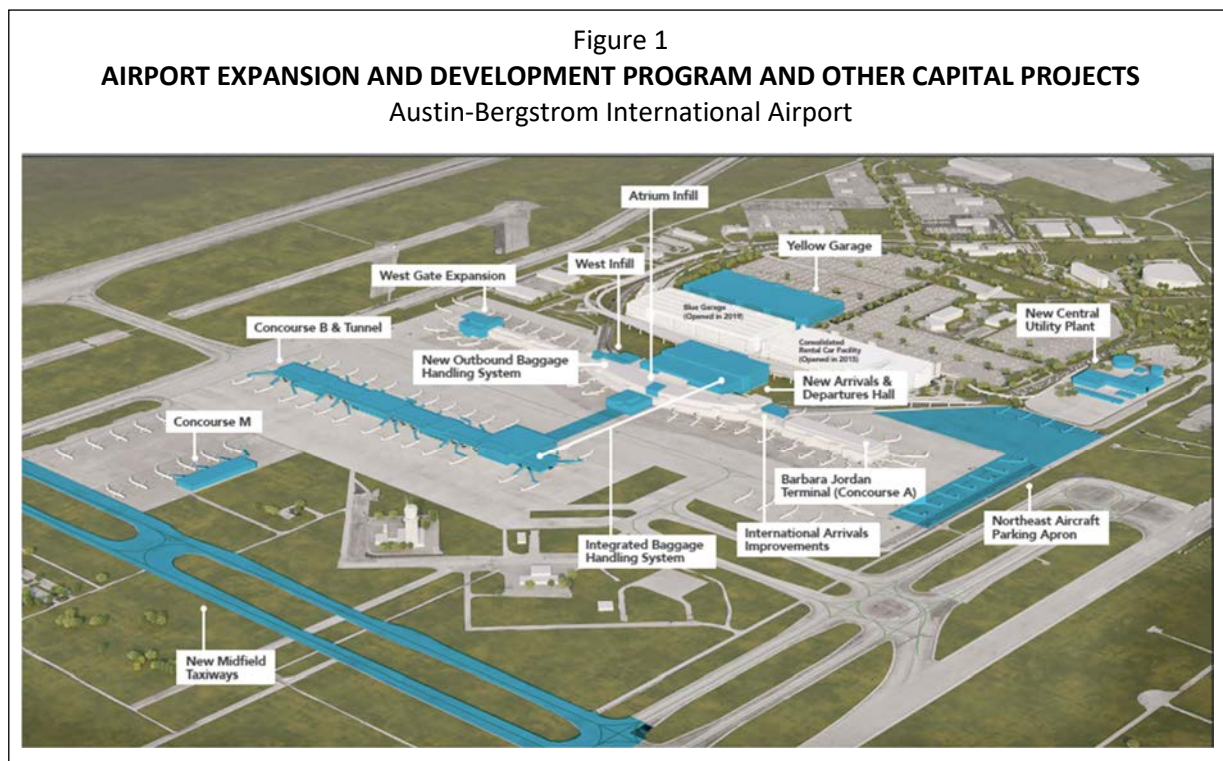
INTRODUCTION

Austin-Bergstrom International Airport opened in 1999 at the site of the former Bergstrom Air Force Base, replacing Robert Mueller Municipal Airport. The 700-acre Mueller Airport site, approximately three miles from downtown Austin, was successfully redeveloped as a mixed-use urban community by the City of Austin under a public-private partnership agreement. The Mueller Airport property is not part of the Airport System.

The Airport is classified as a large hub by the Federal Aviation Administration (FAA) and occupies a 4,242-acre site approximately eight miles southeast of downtown Austin. Airport access is provided by Texas State Highway 71 (SH 71), a six-lane divided highway running east-west, and U.S. Highway 183 (US 183), a six-lane divided highway running north-south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west and Texas State Highway 130 (SH 130 Toll Road) approximately six miles to the east.

The Airport's two parallel north-south runways, designated 18L-36R and 18R-36L, are 9,000 feet and 12,250 feet long, respectively, 150 feet wide, and capable of accommodating all aircraft now in commercial service. The runways are separated by 6,700 feet, allowing the simultaneous arrival of aircraft in virtually all weather conditions.

Figure 1 shows a site plan of the passenger terminal complex, highlighting the main projects in City's Airport Expansion and Development Program (AEDP) and other recent capital improvements, all as described in later sections.



BARBARA JORDAN TERMINAL

The Barbara Jordan Terminal is the Airport's four-level passenger terminal, encompassing approximately 1,196,000 square feet of enclosed space, including a nine-gate east expansion that was completed in 2019 (but not recently completed projects discussed in the next section).

- Level 1, the baggage claim level, provides 173,000 square feet of space for baggage claim devices and lobby and support facilities. The baggage claim level accommodates a 39,000-square-foot Customs and Border Protection (CBP) facility for the processing of international arriving passengers.
- Level 2, the apron level, provides 395,000 square feet of space for inbound and outbound baggage handling equipment and facilities, airline operations space, and other non-public areas. The apron level also provides a passenger holdroom for the ground-level loading of regional airline aircraft (Gate 13). The aircraft parking apron adjacent to the terminal provides approximately 96 acres for aircraft parking at the 33 loading bridge-equipped gates, as well as 5 remain overnight (RON) aircraft parking positions.
- Level 3, the concourse level, provides 468,000 square feet of space for airline check-in counters with lobby and queuing areas, airline offices, public circulation areas, passenger security screening facilities, concessions, passenger holdrooms, restrooms, and support facilities. The concourse provides 33 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service. Four gates can accommodate domestic and international flights by widebody aircraft. These four widebody gates, as well as two of the narrowbody gates, provide access to the CBP facility.
- Level 4, the mezzanine level, provides 145,000 square feet of space for Austin Aviation offices and other offices and airline club rooms. Above the mezzanine level is a 7,000-square-foot penthouse level with mechanical rooms.

Since 2017, the City has operated a separate 30,000 square-foot passenger terminal at the south side of the Airport. The South Terminal provides three aircraft parking positions for ground-level loading and is now used by Allegiant and Frontier. Effective March 31 2026, the South Terminal is to be closed and all airline operations moved to the Barbara Jordan Terminal.

RECENT TERMINAL EXPANSION PROJECTS

Concourse A (Barbara Jordan Terminal)

Recent and soon-to-be-completed projects to reconfigure, expand, and optimize facilities at the existing passenger terminal and Concourse A include:

Outbound Baggage Handling System. A new system for outbound checked passenger baggage provides increased capacity to process 4,000 bags per hour.

West Infill. An infill project at the west side of the terminal provides approximately 75,000 square feet of additional space at four levels to house the new baggage handling system, six to eight additional security checkpoint lanes, and an airline lounge.

West Gate Expansion. An expansion of Concourse A to the west provides approximately 84,500 square feet of space at apron, concourse, and mezzanine levels to accommodate three additional loading bridge-equipped gates, enlarged passenger holdrooms, restrooms, an airline lounge, and space for airline operations.

Atrium Infill. Additional terminal facilities for departing passengers are being created by filling in the open space above baggage claim to provide approximately 12,000 square feet for passenger security screening and queuing.

PUBLIC AND RENTAL CAR PARKING

Approximately 16,000 public parking spaces are provided by the City in garages adjacent to the terminal and in surface lots. Spaces in the garages and lots provide an additional 2,200 spaces for employee parking. Table 11 in the later section “Parking and Ground Transportation Revenues” provides space counts by parking facility. On-Airport public parking is also provided by a private operator in a 2,100-space facility located adjacent to the Hilton hotel. The consolidated rental car garage adjacent to the terminal provides approximately 1,840 rental car ready-return spaces.

AIR CARGO

Air cargo facilities occupy approximately 61 acres and abut the northern boundary of the Airport site, adjacent to SH 71. Five air cargo buildings with a combined floor area of 320,000 square feet and 34 acres of apron for aircraft parking are provided. Four of the buildings are managed by the City. The fifth building is managed by Aeroterm. Air cargo carried in the bellies of passenger aircraft is handled at two buildings with a combined floor area of 60,000 square feet occupying 5 acres immediately west of the passenger terminal apron. These two buildings are managed by Airport Facilities Company.

GENERAL AVIATION

General and business aviation at the Airport is served by three full-service fixed-base operators (FBOs), Atlantic Aviation, Signature Aviation, and Million Air, at sites adjacent to Runway 18L-36R.

Atlantic Aviation occupies a 47-acre site with five 12,000-square-foot hangars, a 14,000-square-foot terminal building, fuel storage facilities, and a 10-acre aircraft parking apron. Signature Aviation occupies a 46-acre site with five 12,000-square-foot hangars, a 9,000-square-foot terminal building, fuel storage facilities, and a 9-acre aircraft parking apron. Million Air occupies a 20-acre site and is expanding its facilities to provide three 40,000-square-foot hangars, a 30,200-square-foot terminal building housing offices and departure lounges, fuel storage facilities, and a 12-acre aircraft parking apron.

Three T-hangar buildings contiguous with the Signature Aviation facility provide space for 54 aircraft. Approximately 150 general aviation aircraft are based at the Airport.

OTHER AIRPORT FACILITIES

Remote Aircraft Parking. Parking spaces for commercial aircraft operations remote from the passenger terminal are provided at various locations on the Airport: 32 at remote aprons, 10 at the aircraft maintenance ramp, and 6 at the cargo ramp.

Texas State Department of Transportation. The State Aviation Division's Flight Services Section occupies a 13-acre site east of Runway 18L-36R with aircraft hangars, fueling facilities, a terminal building, and an aircraft parking apron where aircraft used by State officials and employees are operated and maintained.

Texas Air National Guard. The Guard occupies a 60-acre site at the southern boundary of the Airport site for its Army Aviation Support Facility (AASF), which consists of aircraft hangars and maintenance facilities, helicopter parking aprons, and administrative buildings. Adjacent to the site is a U.S. Armed Forces Reserve Center.

Federal Aviation Administration (FAA). An FAA Terminal Radar Approach Control (TRACON) facility is located at the Airport Traffic Control Tower.

Aviation Support. Support facilities include an aircraft fuel storage facility with four above-ground storage tanks with a combined capacity of 4.2 million gallons operated by Aircraft Service International Group; an airline ground service equipment (GSE) maintenance building; an in-flight catering building occupied by Sky Chefs; and Austin Aviation operations, maintenance, and engineering facilities.

Nonaeronautical facilities. Nonaeronautical facilities on Airport property include a 260-room Hilton hotel and a 140-room Hyatt hotel at the entrance to the Airport, rental car service and storage facilities, a City of Austin employee training facility (the Employment Center), a gas station, a convenience store, a restaurant, a cell phone lot, and public restrooms.

2026-2030 PROJECT

Exhibit A-1 summarizes estimated project costs and annual cash flows for the main projects comprising the 2026-2030 Project. Exhibit A-2 summarizes the planned funding sources. Descriptions of the scopes of the projects follow.

Concourse A Renovation

Projects to renovate Concourse A including increased seating for the holdrooms, removal of existing ticket counter and security checkpoints, and the addition of new concession space.

Concourse B and Tunnel

Concourse B will be a 26-gate midfield satellite concourse to be constructed with apron, concourse, and mezzanine levels to accommodate 26 loading bridge-equipped gates expected to be leased by Southwest and United or be available for common use. The concourse will provide space for passenger holdrooms, circulation, concessions, restrooms, airline lounges, and airline operations and will be connected to the existing terminal by a new tunnel accommodating moving walkways for pedestrians, utilities, and baggage conveyors. The concourse will have future expansion capability to

accommodate 40 gates.

Estimated completion: June 2030

To provide additional gate capacity until the completion of Concourse B, a temporary midfield concourse (Concourse M) is being constructed. The temporary concourse will provide six gates (four equipped with passenger boarding bridges and two for ground loading) and be served from the existing terminal by a busing operation from Gate 13. The concourse is being constructed at the current aircraft maintenance ramp location and is designed so it could be converted and used for cargo or airline support operations in the future.

Estimated completion: January 2028

Arrivals and Departures Hall

A new hall will be constructed to accommodate expanded passenger check-in facilities, baggage handling and claim facilities, consolidated security screening checkpoints, and space for passenger circulation, concessions, and tenants. The hall will be constructed at the site of the existing Red Garage, to be demolished, and will be connected directly to the Blue Garage by an enclosed pedestrian bridge.

Estimated completion: January 2031

Integrated Baggage Handling System

A new centralized baggage handling system (BHS) will be constructed to serve the entire terminal complex. The BHS will support operations at the new Arrivals and Departures Hall, the expanded Concourse A, and Concourse B, increase baggage screening capacity, and address existing operational inefficiencies.

Estimated completion: June 2031

Landside, Parking, and Roadways

Yellow Garage. A new seven-level parking garage providing approximately 7,000 public parking spaces is being constructed at the Lot B site north of the Blue Garage. An enclosed pedestrian bridge connecting the new garage to the Blue Garage will facilitate access to the Barbara Jordan Terminal.

Estimated completion: December 2026

Surface Parking. Approximately 1,400 additional spaces for public and employee parking are being brought into use in phases to replace spaces lost by the removal of the Red Garage and Lot B and to provide needed additional capacity.

Estimated completion: December 2026

Terminal Curbside Roadways. New curbside roadways will be constructed to serve arriving and departing passengers at the new Arrivals and Departures Hall.

Estimated completion: July 2030

Utilities

Central Utility Plant. A new central utility plant to meet the increased heating and cooling needs of the terminal complex using reliable, efficient, and economical technology and equipment will be constructed and commissioned. The plant will have the capacity to serve the expanded Barbara Jordan Terminal and Concourse A, the Arrivals and Departures Hall, and the future full buildout of Concourse B.

Estimated completion: June 2028

Utility Infrastructure Campus-Wide. Utility systems will be expanded and upgraded throughout the Airport campus to meet increased demand and support the growth and modernization of the Airport. Utilities projects include stormwater drainage, deicing fluid containment, electric power supply and distribution, telecommunications, hydronic chilled and hot water piping, and reclaimed water.

Estimated completion: June 2028

Planning and Development Building Reconfiguration. A building formerly used by Austin Aviation's planning and development department is being renovated and reconfigured to provide collaborative working space for the AEDP program and construction management staff. The renovation will include improving the HVAC, fire suppression, and other building systems.

Estimated completion: June 2027

Airfield

Midfield Taxiways. Two parallel taxiways capable of accommodating widebody (Airplane Design Group V) aircraft will be constructed to connect the east and west sides of the airfield when the existing midfield taxiways are removed for construction of Concourse B.

Estimated completion: April 2027

Apron and Airfield Connectors. New north-south connector taxiways will be constructed to provide aircraft access to the apron at Concourse B.

Estimated completion: June 2030

Increase in Gate Count from Concourse Expansion

Table 1 shows the number of passenger terminal gates at the Barbara Jordan Terminal in use in 2025 and as planned for 2031 (after the opening of the West Gate Expansion project in 2026 and the opening of Concourse B in 2030). The increase in the count of loading bridge-equipped gates from 33 to 60 will allow airlines to increase service. Two airlines in particular will benefit as they implement plans to increase the importance of AUS in their networks. Delta has committed to increasing its number of leased gates from 4 to 15 (at Concourse A) and Southwest has committed to increasing its number of leased gates from 10 to up to 18 (at Concourse B).

Table 1
TERMINAL GATE ASSIGNMENTS
Austin-Bergstrom International Airport

	2025 gates (a)	Average daily departures (b)		Planned 2031 gates (c)			Change
	Concourse A	Number	Per gate	Concourse A	Concourse B	Total	2025- 2031
Domestic							
Preferentially leased (d)							
American	4	40	10.1	9	–	9	5
Alaska	1	10	9.8	1	–	1	–
Delta	4	55	13.8	15	–	15	11
Southwest (e)	10	110	11.0	–	18	18	8
United	<u>3</u>	<u>32</u>	10.6	<u>–</u>	<u>5</u>	<u>5</u>	<u>2</u>
Subtotal preferentially leased	22	247	11.2	25	23	48	26
Common use (f) (g)	<u>5</u>	<u>4</u>	0.9	<u>1</u>	<u>3</u>	<u>4</u>	<u>(1)</u>
Subtotal domestic	27	251	9.3	26	26	52	25
International common use (h)	<u>6</u>	<u>14</u>	2.3	<u>8</u>	<u>–</u>	<u>8</u>	<u>2</u>
Total loading bridge-equipped	33	265	8.0	34	26	60	27

(a) Gates available at the Barbara Jordan Terminal as of October 2025.

(b) Departures as scheduled for July 2025. Departures by Allegiant and Frontier (operating at the South Terminal in 2025) are excluded.

(c) Gates available after planned opening of Concourse A west gate expansion (in 2026) and Concourse B (in 2030).

(d) Gates leased to Signatory Airlines.

(e) Includes two contingent gates at Concourse B.

(f) Includes gates assigned to nonsignatory airlines.

(g) Excludes Gate 13 at Concourse A apron level used for bus access to remote parking positions.

(h) Common use gates connected to the CBP facility and available for international or domestic use.

Sources: Austin Aviation records; Airline Data Inc., Schedules database, accessed February 2026.

ECONOMIC AND AIRLINE TRAFFIC ANALYSIS

AIRPORT SERVICE REGION

The Airport's primary service region is the 4,220-square-mile, five-county Austin-Round Rock-San Marcos Metropolitan Statistical Area (the MSA), shown on Figure 2. According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA in 2024 was 2,551,000. The Airport also serves a secondary service region, defined by the location of and airline service provided at other nearby airports and covering a larger portion of the state of Texas.

As shown on Figure 2, the nearest airports classified as large or medium hub airports by the FAA are those serving San Antonio (a medium hub), Houston (served by Houston Bush Intercontinental, a large hub, and Houston Hobby, a medium hub), and Dallas-Fort Worth (served by Dallas/Fort Worth International, a large hub, and Dallas Love Field, a medium hub).

Table 2 provides data on airline service and passenger numbers at AUS and selected other Texas airports. Of the airports shown, only Houston Bush Intercontinental and Dallas/Fort Worth International Airports have a substantial amount of international service.

San Antonio International Airport (SAT), the nearest airport with substantial airline service, serves the San Antonio-New Braunfels MSA with a 2024 population of approximately 2.8 million. Because of the proximity of AUS and SAT, passengers originating their journeys from the two airport service regions have airline service options from either airport. As shown in Table 2, as scheduled for July 2025, twice as many scheduled departing seats were provided from AUS than from SAT.

Killeen-Fort Hood Regional Airport is classified as a nonhub airport by the FAA. The Killeen airport is conveniently accessible to northern parts of the MSA, but, as shown in Table 2, provides very limited airline service.

Figure 2
AIRPORT SERVICE REGION

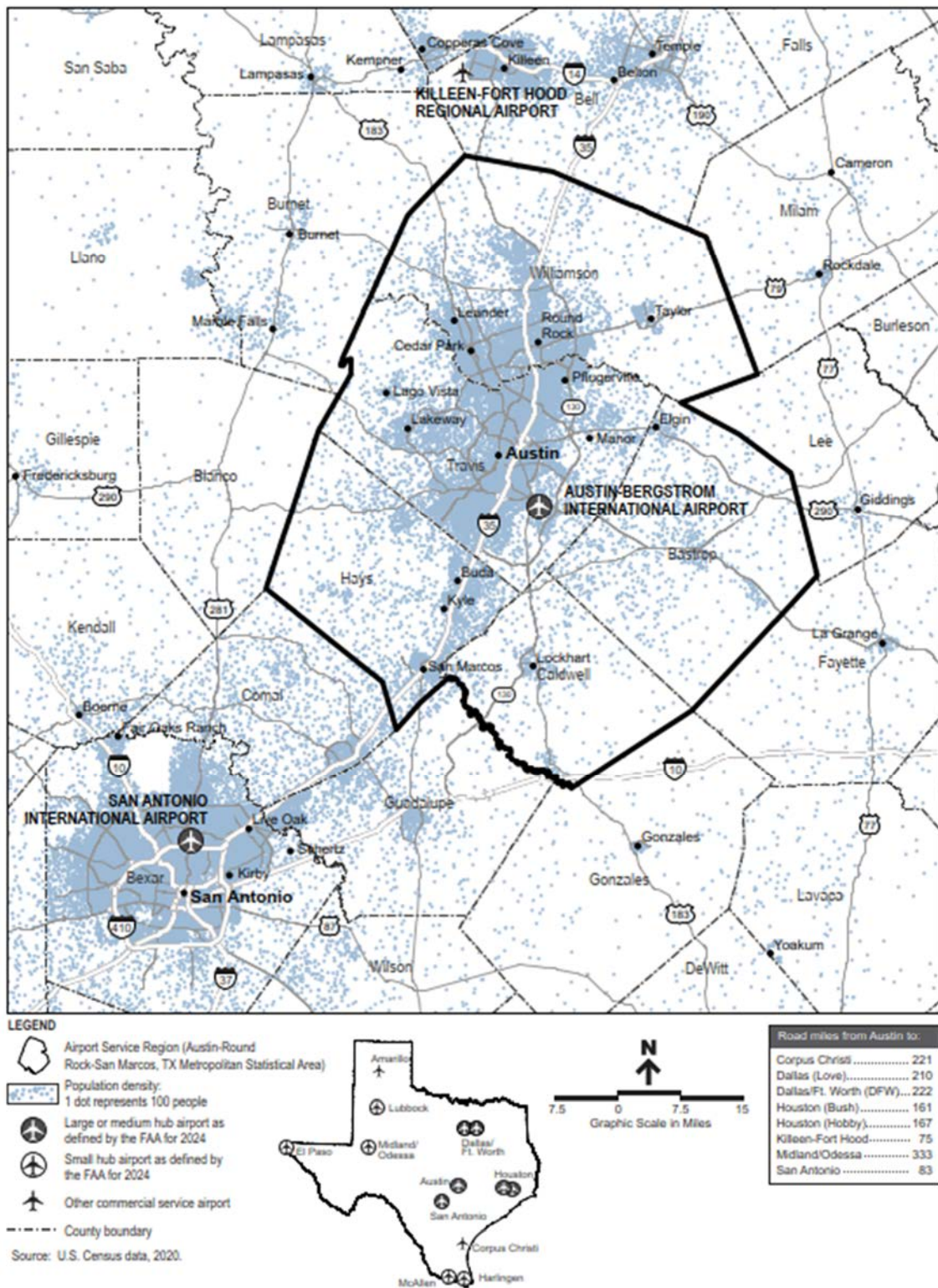


Table 2
AIRLINE SERVICE AT SELECTED TEXAS AIRPORTS

	AUS	DFW	IAH	HOU	DAL	SAT	GRK
Driving distance from AUS (miles)	--	222	161	167	210	83	75
Average daily departing seats – July 2025							
Domestic	39,227	127,917	59,973	25,997	32,879	18,579	341
International	<u>2,380</u>	<u>23,939</u>	<u>24,048</u>	<u>1,940</u>	--	<u>1,877</u>	--
Total	41,607	151,855	84,021	27,938	32,879	20,456	341
% of July 2019 levels	135.2%	116.5%	108.2%	105.7%	110.5%	113.9%	54.7%
Average daily departures – July 2025							
Domestic	260	949	482	165	205	122	4
International	<u>14</u>	<u>129</u>	<u>140</u>	<u>12</u>	--	<u>10</u>	--
Total	274	1,078	622	177	205	132	4
% of July 2019 levels	134.6%	106.8%	97.9%	97.2%	100.1%	102.3%	42.8%
Airports served nonstop – July 2025							
Domestic	72	189	109	70	72	37	1
International	<u>13</u>	<u>65</u>	<u>68</u>	<u>8</u>	--	<u>8</u>	--
Total	85	254	177	78	72	45	1
Airports served July 2019	63	243	175	66	59	41	2
Domestic originating passengers (in thousands) (a)							
FY 2015	4,866	10,922	6,691	3,929	4,511	3,369	135
FY 2019	7,152	13,571	8,468	4,383	5,236	4,377	132
FY 2025 (b)	8,171	15,748	10,164	4,242	5,238	4,492	87
Percent change FY 2015-FY 2025	67.9%	44.2%	51.9%	8.0%	16.1%	33.3%	(35.9%)
FY 2025 as % of FY 2019 levels	114.3%	116.0%	120.0%	96.8%	100.0%	102.6%	65.7%

AUS = Austin-Bergstrom International Airport
DFW = Dallas/Fort Worth International Airport
IAH = George Bush Intercontinental Airport
HOU = William P. Hobby Airport
DAL = Dallas Love Field
SAT = San Antonio International Airport
GRK = Killeen-Fort Hood Regional Airport

Note: Columns may not add to totals shown because of rounding.

(a) Fiscal Years ended September 30, unless otherwise noted.

(b) Data for the 12 months ended June 30, 2025, the most recent available.

Sources: Airline Data Inc., Schedules database, accessed November 2025.
U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1, accessed November 2025.

AIRPORT ROLE AND RANKINGS

As discussed in the following sections, the Airport is a primary commercial service airport classified by the FAA as a large hub* airport in the national air transportation system. Prior to 2021, the Airport had been categorized as a medium hub airport.

Origin-Destination Passenger Base

The Airport's large origin and destination (O&D) passenger base (i.e., passengers beginning or ending their airline journeys at the Airport) reflects the strength of the Austin MSA's economy and its role as a business, trade, technology, tourism, and government center. During the 12 months ended June 30, 2025 (the most recent year for which data are available), the Airport ranked as the 26th busiest domestic O&D airport in the United States, according to U.S. Department of Transportation (DOT) data.

Large Hub Airport

According to U.S. DOT, the Airport ranked as the 29th largest passenger airport in the United States during calendar year 2024 (the most recent year for which complete data are available) in terms of total enplaned passengers. As shown in Table 6, as of July 2025, the Airport was served by four mainline passenger airlines, six regional affiliates, six low-cost passenger airlines, and nine foreign-flag passenger airlines, which together provided 274 daily nonstop departures to 85 airports. The Airport was also served by eight all-cargo airlines.

HISTORICAL SOCIOECONOMIC INDICATORS

In general, the population and economy of an airport's service region are the primary determinants of originating passenger numbers at the airport. Connecting passenger numbers are primarily determined by airline management decisions to provide convenient connecting service. As shown in Table 8, in 2025, approximately 89% of the Airport's passengers were originating and 11% connected between flights. Approximately 53% of originating passengers were residents of the MSA and 47% were visitors.

The following subsections provide a discussion of the economic basis for passenger traffic at the Airport in terms of historical MSA socioeconomic data and the employment profile of the MSA by industry sector. Table 3 shows historical data on population, nonagricultural employment, and per capita income for the MSA and the nation.

*A large hub is defined by the FAA as an airport that enplanes 1.0% or more of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States.

Table 3
HISTORICAL SOCIOECONOMIC DATA
Austin-Round Rock-San Marcos MSA and United States

	Population (thousands)		Nonagricultural employment (thousands)		Per capita income (2024 dollars)	
	MSA	United States	MSA	United States	MSA	United States
2000	1,265	282,162	684	132,011	\$60,255	\$55,653
2010	1,728	309,378	786	130,344	59,560	58,344
2015	2,005	321,815	965	141,825	68,663	63,609
2016	2,065	324,353	1,003	144,335	68,577	64,009
2017	2,119	326,609	1,037	146,606	71,988	65,274
2018	2,170	328,530	1,078	148,909	74,753	66,597
2019	2,231	330,226	1,120	150,905	76,619	68,180
2020	2,300	331,578	1,091	142,186	77,558	71,693
2021	2,359	332,100	1,172	146,285	82,473	74,891
2022	2,430	334,017	1,276	152,520	82,621	71,063
2023	2,493	336,806	1,330	155,868	84,037	72,067
2024	2,551	340,111	1,360	157,959	85,549	73,204
Average annual percent increase (decrease)						
2000-2010	3.2%	0.9%	1.4%	(0.1%)	(0.1%)	0.5%
2010-2015	3.0	0.8	4.2	1.7	2.9	1.7
2015-2020	2.8	0.6	2.5	0.1	2.5	2.4
2020-2024	2.6	0.6	5.7	2.7	2.5	0.5
2000-2024	3.0	0.8	2.9	0.8	1.5	1.1
2022-2023	2.6	0.8	4.3	2.2	1.7	1.4
2023-2024	2.3	1.0	2.2	1.3	1.8	1.6

MSA = Metropolitan Statistical Area comprising the 5 counties shown on Figure 2 for all years.

Notes: Population numbers are estimated as of July 1 each year.

Calculated percentages may not match those shown because of rounding.

Sources: U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed November 2025.
U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed November 2025.
U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed February 2026. Adjusted to 2024 dollars using the U.S. Department of Labor *Consumer Price Index for All Urban Consumers*.

Population

Since 2000, the MSA has been one of the fastest growing major metropolitan areas in the nation. Between 2000 and 2024, the population of the MSA increased an average of 3.0% per year, compared with an increase of 0.8% per year for the nation. In 2024, the most recent year for which metropolitan area population data are available, the MSA was the one of the fastest growing of all metropolitan areas nationwide with populations of 1 million or more.

Much of the MSA population growth resulted from in-migration driven by employment opportunities, a high quality of life, and a relatively low tax burden. According to the Austin Chamber, since 2010 the MSA has gained nearly 35,000 residents annually from domestic migration, which has accounted for approximately 60% of overall population growth. While other parts of Texas are the primary source of domestic migration, numbers of in-migrants from California and New York have increased over the past 5 to 10 years, according to the U.S. Census Bureau's American Community Survey. Austin was ranked the third best big city in which to live nationwide by U.S. News and World Report for 2025-2026.

Austin's population is young, with 64.5% of the 2024 population under 45 (compared with 57.7% for the nation as a whole), and educated, with 52.3% of the MSA's population 25 years and over holding a bachelor's or more advanced degree (compared with 36.8% for the nation).

Nonagricultural Employment

The MSA has similarly experienced much stronger growth in employment than for the nation. Since 2000, employment growth in the MSA has consistently outpaced national growth. Between 2000 and 2024, employment in the MSA increased 2.9% per year, on average, compared with 0.8% average annual growth for the nation. Employment by industry sector is discussed in the later section "Economic Profile by Industry Sector."

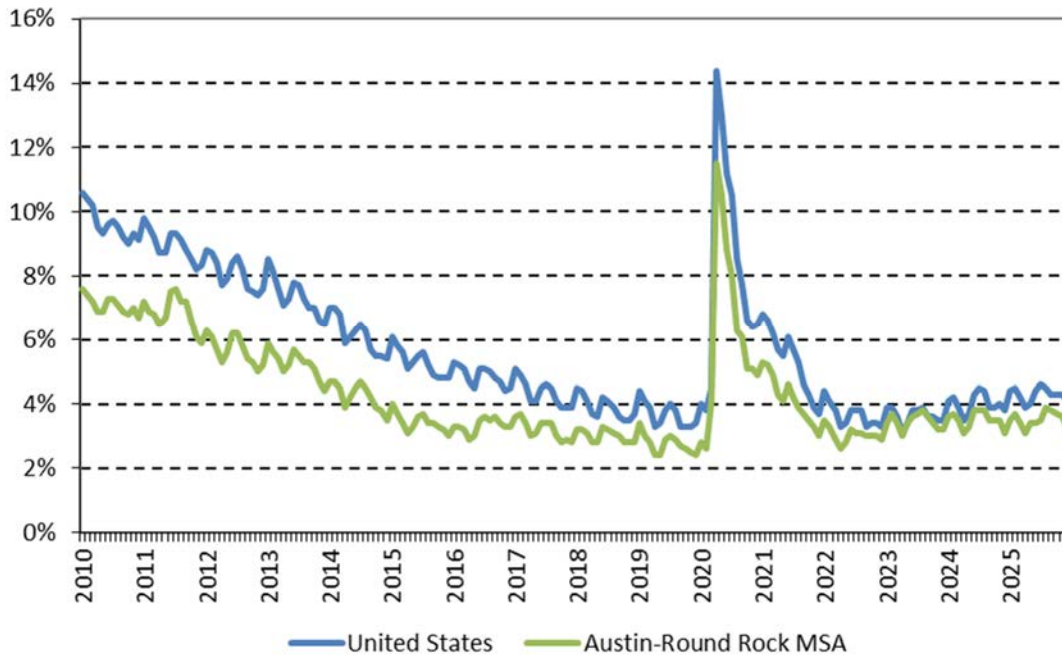
Per Capita Income

Resident purchasing power as measured by per capita income has increased in the MSA since 2010. Between 2010 and 2024, per capita income for the MSA increased an average of 2.6% per year, compared with an increase of 1.6% per year for the nation. In 2024, the MSA's per capita income (\$85,549) was 16.9% higher than the national average (\$73,204).

Unemployment Rates

As shown in Figure 3, average unemployment rates for the MSA have been consistently lower than those for the United States. In December 2025 (the most recent data available), the MSA unemployment rate was 3.2%, compared with a national rate of 4.1%.

Figure 3
TRENDS IN UNEMPLOYMENT RATES
 Austin-Round Rock-San Marcos MSA and United States



Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed February 2026.

EMPLOYMENT BY INDUSTRY SECTOR

Table 4 presents the changes in the distribution of nonagricultural employment by industry sector in the MSA and the United States between 2015 and 2024. The combination of industries within the MSA provided for comprehensive employment growth averaging 3.9% per year. Over that period the MSA experienced employment growth across all industry sectors.

As in the United States as a whole, the services sector (professional, business, education, health, leisure, hospitality, and other services combined) is the largest industry sector in the MSA, accounting for 47.3% of MSA nonagricultural employment. International trade is another important component of the MSA economy. Exports from the MSA include semiconductors, electronics, software, and information technology. Foreign Trade Zone 183 is coterminous with the MSA and provides for the establishment of secure sites to allow qualifying export-import businesses to defer or avoid U.S. Customs duties and certain other taxes.

Table 4
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Austin-Round Rock-San Marcos MSA and United States
(calendar years)

Industry sector	Share of total 2024		Average annual percent increase (decrease) 2015-2024	
	Austin MSA	United States	Austin MSA	United States
Services				
Professional and business services	20.5%	14.3%	5.6%	1.5%
Education and health services	11.9	16.8	4.2	2.1
Leisure and hospitality	10.9	10.6	2.9	1.2
Other services	<u>4.0</u>	<u>3.8</u>	2.6	0.7
Subtotal services	47.3%	45.5%	4.3%	1.6%
Trade, transportation, and utilities	15.4%	18.3%	3.2%	0.9%
Government	15.2	14.8	1.9	0.7
Mining, logging, and construction	6.5	5.6	5.4	2.2
Financial activities	6.4	5.8	5.5	1.4
Manufacturing	5.4	8.1	3.2	0.5
Information	<u>3.7</u>	<u>1.9</u>	6.8	0.8
Total	100.0%	100.0%	3.9%	1.2%

Note: Columns may not add to totals shown because of rounding.
Technology firms and activities span several of the industry sectors shown.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed November 2025.

Table 5 lists the largest private employers in the MSA in 2024. The companies listed accounted for approximately 11% of total nonagricultural employment in the MSA in 2024, with smaller businesses and organizations and public sector employers accounting for the remaining 89%.

Austin is the capital of Texas, and the government sector accounted for 15.2% of MSA employment in 2024, compared with 14.8% for the nation. The share of MSA employment related to the government has decreased, from 18.2% in 2015, as the MSA's economy has diversified. In 2024, local government accounted for 51.4% of government sector jobs, State government for 40.8%, and the federal government for 7.8%.

Education and health services accounted for 11.9% of MSA employment in 2024, compared with 16.8% for the nation, despite the presence of a large research university, the University of Texas at Austin (University of Texas). This, combined with the relative shares of government employment described above, helps to underscore the MSA's diversified economy and strong private sector.

Table 5
LARGEST AUSTIN AREA PRIVATE SECTOR EMPLOYERS
2024

	Company	Head- quartered in MSA	Fortune 500 company	Principal industry	Number of area employees
1	H-E-B			Supermarkets	24,161
2	Tesla	*	*	Manufacturing, renewable energy	20,000
3	Ascension Texas	*		Health care	13,807
4	Dell Technologies	*	*	Computer technology	13,000
5	St. David's HealthCare	*		Health care	12,191
6	Amazon (a)		*	Online retail	11,000
7	Apple		*	Information technology	10,000
8	Walmart		*	Retail	7,600
9	Baylor Scott & White Health			Health care	6,000
10	IBM		*	Information technology	6,000
11	Samsung Austin Semiconductor	*		Semiconductors	4,500
12	Applied Materials		*	Semiconductors	4,450
13	NXP Semiconductors			Semiconductors	4,000
14	AMD		*	Semiconductors	3,700
15	Accenture			Professional services	3,500
16	General Motors		*	Automotive research	3,243
17	Flex			Electronic manufacturing	3,100
18	Charles Schwab		*	Financial services	2,800
19	Visa		*	Financial services	2,670
20	Oracle		*	Computer technology	2,500
21	Keller Williams Realty	*		Real estate	2,494
22	Austin Regional Clinic PA	*		Health care	2,428
23	Deloitte			Professional services	2,359
24	Intel		*	Semiconductors	2,300
25	Google		*	Information technology	2,000

Notes: Ranking of area employers based on number of employees as of July 2024. Government entities are not shown.

(a) Includes Whole Foods, a wholly owned subsidiary headquartered in Austin.

Sources: Company ranking: *Austin Business Journal*, "2024-2025 Book of Lists." Only companies that responded to the survey are included.

Status as a Fortune 500 company for 2024: www.fortune.com, accessed November 2025.

The State of Texas is the largest single employer in the MSA, with 63,900 employees (excluding the 28,800 employees at the University of Texas who are accounted for in the services sector). The largest local government employers are the City of Austin and the Austin and Round Rock independent school districts.

The University of Texas, with a student enrollment of approximately 55,000 in fall 2025, is the ninth largest public four-year university in the nation and employs approximately 28,800 faculty and staff. The University of Texas is known as a world-class center of education and research and is an important contributor to the region's economy. Texas State University, located in San Marcos, has a student population of over 40,000 and employs 5,800 faculty and staff.

Research activities at the University of Texas, Texas State, and other universities and colleges have been the catalyst for the development of life sciences industries in the MSA. Approximately 300 companies provide more than 24,000 jobs in the biotechnology, pharmaceutical, medical device, and related industries. The University of Texas and MD Anderson Cancer Center are collaborating to develop a new \$2.5 billion hospital and medical research facility in the MSA, with an anticipated opening in 2030.

Dell Technologies, headquartered in Round Rock, is one of the MSA's largest private sector employers, developing and manufacturing computer technology solutions and products. Other major employers engaged in engineering, design, research, and development in the computer, data analytics, information technology, and other high-technology industries are Apple, IBM, NXP, Samsung, Applied Materials, Oracle, AMD, Flex, and Meta (Facebook).

In 2022, electric vehicle and clean energy company Tesla opened an automotive manufacturing "Gigafactory" in the MSA for electric car and truck production. Concurrently, Tesla moved its corporate headquarters from Palo Alto, California to the MSA in December 2021, citing a lower cost of living and shorter commute times in the MSA.

According to the City of Austin's 2024 Annual Comprehensive Financial Report, Samsung will be investing an additional \$37 billion in high tech facilities in the MSA, in addition to \$18 billion already invested over the past 10 years. The collective investment is projected to add 3,500 semiconductor manufacturing jobs to the MSA economy.

In May 2025, CBRE (a global commercial real estate investment company) published a study citing the Austin MSA as one of the nation's leaders in gaining relocating corporate headquarters. Between 2018 and 2024, the Austin MSA gained 81 new corporate headquarters, second only to Dallas with 100.

TOURISM

Tourism is an important contributor to the MSA's economy. Austin bills itself as the "Live Music Capital of the World." Each spring the City hosts the South by Southwest (SXSW) Music-Film-Interactive conference and festival, which typically draws over 500,000 attendees, and each fall it hosts the Austin City Limits Music Festival, a two-week-long celebration of music performance. In 2012, the 1,500-acre Circuit of the Americas motorsports venue opened. The venue hosts the Formula One United States Grand Prix, the Texas Grand Prix, and the Motorcycle Grand Prix of the Americas, among other events. Circuit of the Americas is also home to the Germania Insurance Amphitheater, an outdoor concert venue capable of accommodating 14,000 attendees.

The Austin Convention Center, located in downtown Austin, convenient to many hotels and various attractions and entertainment districts, is currently closed for redevelopment and expansion from 365,000 to 620,000 square feet of rentable exhibit and meeting space. It is scheduled to be

completed in 2029. The Palmer Events Center, also located downtown, remains open to events during the redevelopment.

ECONOMIC OUTLOOK

Real GDP increased 2.5% in 2022, 2.9% in 2023, 2.8% in 2024, and 2.2% in 2025. The Congressional Budget Office forecasts real GDP growth of 2.4% in 2026, and an average of 1.8% per year through 2033.

Continued U.S. economic growth will depend on, among other factors, stable financial and credit markets, a stable value of the U.S. dollar versus other currencies, stable energy and other commodity prices, the ability of the federal government to reduce historically high fiscal deficits, inflation being reduced to a rate within the range targeted by the Federal Reserve, growth in the economies of foreign trading partners, and stable trading relationships.

Continued economic growth in the MSA will generally depend on the same factors as those for the nation, although the MSA is seen as having advantages that will underpin its economic prosperity. A business-friendly economic environment, relatively low tax burden, and a quality of life that will allow a young, well-educated labor force to be attracted and retained are key factors to growth. Industries that Austin targets for growth are advanced manufacturing, clean energy and power technologies, data management, life sciences, and creative and digital media.

HISTORICAL AIRLINE SERVICE AND TRAFFIC

Table 6 lists the passenger and cargo airlines providing service at the Airport as of September 2025.

Table 6 AIRLINES SERVING THE AIRPORT Austin-Bergstrom International Airport as of September 2025		
U.S. Major/Mainline	U.S. Regional/Commuter	U.S. Low-cost carriers
American Airlines <i>(a)</i>	Endeavor Air (DL)	Allegiant Air
Alaska Airlines <i>(a)</i>	Envoy Air (AA)	Frontier Airlines
Delta Air Lines <i>(a)</i>	Mesa Airlines (UA)	JetBlue Airways
United Airlines <i>(a)</i>	PSA Airlines (AA)	Southwest Airlines <i>(a)</i>
	Republic Airways (UA)	Spirit Airlines
	SkyWest Airlines (AA, AS, DL, UA)	Sun Country Airlines
Foreign-flag	All-Cargo <i>(b)</i>	
Aeromexico	ABX Air	
Air Canada	Air Transport International <i>(c)</i>	
British Airways	Baron Aviation	
Copa Airlines	FedEx <i>(a)</i>	
KLM	Kalitta Charters	
Lufthansa	Sun Country Airlines	
Viva	UPS <i>(a)</i>	
WestJet		
<i>(a)</i> Signatory airline. <i>(b)</i> Excludes cargo airlines that do not provide scheduled cargo services at the Airport. <i>(c)</i> Operated as Amazon Air. Sources: Austin Aviation records; Airline Data Inc., Schedules database, accessed November 2025.		

Origin-Destination Markets

Table 7 presents data on domestic passengers and airline service for the top 20 city markets as ranked by domestic originating passengers at the Airport for the year ended June 2025, (the most recent year for which complete data are available). Also shown are the numbers of average daily nonstop departures as scheduled for July 2025 and the airlines providing service to each market from the Airport. The top five destinations—New York, Los Angeles, San Francisco, Denver, and Chicago—accounted for 27.9% of originating passengers at the Airport. Daily nonstop service is provided from the Airport to each of the 20 destinations. Competing service by two or more airlines is provided to all 20 destinations and competing service by three or more airlines is provided to 14 of the 20 destinations.

Passenger Airline Service

Figure 4 shows the airports served nonstop from the Airport in July 2025. In addition to 72 domestic destinations, airlines at AUS served six destinations in Mexico and Central America, four in Canada, and three in Europe. Since July 2025, seasonal service to several new destinations has started or has been

announced: Palm Springs, CA (Delta, November 2025 and Southwest, March 2026); Omaha, NE (Southwest, November 2025); Hayden, CO (Southwest, March 2026); Fort Myers, FL (Southwest, March 2026); Grand Cayman (Cayman Airways, May 2026); Bozeman, MT (Delta, June 2026); Kalispell, MT (Delta, June 2026); Santa Rosa, CA (Southwest, October 2026); and Destin, FL (Southwest, October 2026). Additionally, service to one destination, Cleveland, OH, ceased (Frontier, January 2026).

In July 2026, the Airport is scheduled to have 284 average daily nonstop departures and 42,748 departing seats to 88 destinations. Such advance schedules are always subject to change and could be reduced in the face of insufficient air travel demand, such as could be caused by reduced economic growth or increased airfares.

Table 7
DOMESTIC ORIGIN-DESTINATION PATTERNS AND AIRLINE SERVICE
Austin-Bergstrom International Airport

Rank	Origin-destination Market	Percent of domestic O&D passengers (a)		Average daily scheduled nonstop departures		Airlines providing scheduled service July 2025
		FY 2019	FY 2025 (b)	July 2019	July 2025	
1	New York	7.4%	7.0%	11	11	AA,DL,NK,UA
	<i>Kennedy</i>	3.8	3.2	6	6	AA,DL
	<i>Newark</i>	3.0	2.9	5	6	NK,UA
	<i>LaGuardia</i>	0.7	0.8	--	--	--
2	Los Angeles	7.2	6.7	13	16	AA,DL,NK,UA,WN
	<i>Los Angeles Int'l.</i>	5.0	4.2	11	11	AA,DL,NK,UA,WN
	<i>Santa Ana</i>	0.9	0.8	1	1	WN
	<i>Long Beach</i>	0.7	0.6	1	2	WN
	<i>Burbank</i>	0.2	0.6	--	1	WN
	<i>Ontario</i>	0.4	0.6	0	1	WN
3	San Francisco	6.6	5.0	13	12	AS,DL,UA,WN
	<i>San Francisco Int'l.</i>	3.8	3.0	7	8	AS,DL,UA
	<i>San Jose</i>	2.1	1.4	4	4	WN
	<i>Oakland</i>	0.7	0.6	2	1	WN
4	Denver	5.3	4.8	12	14	F9,UA,WN
5	Chicago	4.9	4.4	13	13	AA,F9,UA,WN
	<i>O'Hare</i>	3.3	3.0	9	9	AA,F9,UA,WN
	<i>Midway</i>	1.5	1.5	4	4	WN
6	Las Vegas	3.8	3.9	6	8	DL,F9,G4,NK,WN
7	Washington DC	4.4	3.8	8	8	G4,UA,WN
	<i>Baltimore</i>	1.7	1.4	4	4	WN
	<i>Dulles</i>	1.5	1.3	4	3	G4,UA
	<i>Reagan</i>	1.2	1.1	1	1	WN
8	Orlando	2.9	3.0	5	8	DL,F9,NK,WN
9	Atlanta	3.2	3.0	12	13	DL,F9,WN
10	Miami	2.6	2.9	7	8	AA,F9,NK,WN
	<i>Miami Int'l.</i>	0.9	1.7	3	6	AA,F9,WN
	<i>Ft. Lauderdale</i>	1.6	1.2	4	2	NK,WN
11	Phoenix	2.6	2.8	8	8	AA,F9,WN
12	Seattle	2.4	2.7	3	7	AS,DL
13	Boston	2.6	2.6	3	5	B6,DL,WN
14	San Diego	2.3	2.4	4	7	AS,F9,WN
15	Nashville	1.3	2.3	3	8	DL,WN
16	Dallas/Forth Worth	3.0	1.9	20	21	AA,WN
	<i>Love Field</i>	1.8	1.0	9	6	WN
	<i>Dallas/Ft. Worth Int'l.</i>	1.1	0.9	11	15	AA
17	Minneapolis-St. Paul	1.6	1.5	4	5	DL,SY,WN
18	Philadelphia	1.6	1.4	3	4	AA,F9
19	New Orleans	1.7	1.4	4	6	DL,WN
20	Salt Lake City	<u>1.3</u>	<u>1.4</u>	<u>3</u>	<u>5</u>	DL,WN
	Cities listed	68.6%	64.8%	156	188	
	Other cities	<u>31.4</u>	<u>35.2</u>	<u>41</u>	<u>72</u>	
	All cities	100.0%	100.0%	196	260	

Note: For the Fiscal Year ended September 30, unless otherwise noted. Columns may not add to totals shown because of rounding.

Legend: AA=American, AS=Alaska, B6=JetBlue, DL=Delta, F9=Frontier, G4=Allegiant, NK=Spirit, SY=Sun Country, UA=United, and WN=Southwest.

(a) Origin-destination passengers travelling on nonstop service or connecting service through intermediate airport(s).

(b) Data for the 12 months ended June 30, 2025, the most recent available.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100, accessed November 2025.
Airline Data Inc., Schedules database, accessed November 2025.

Figure 4
DESTINATIONS SERVED NONSTOP
 Austin-Bergstrom International Airport
 (July 2025)



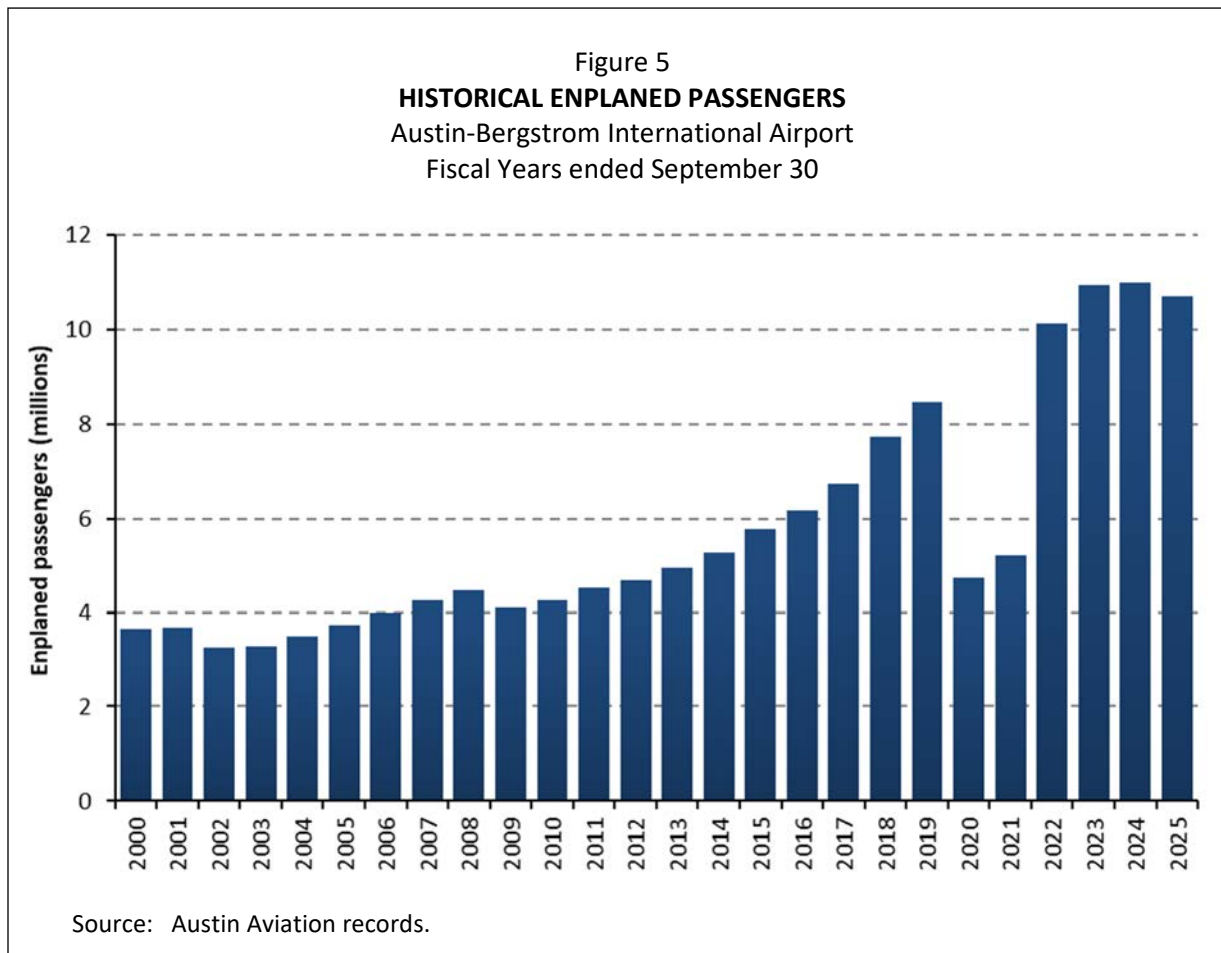
LEGEND

- Destinations with service by only one airline
- Destinations with service by two or more airlines

Source: Airline Data Inc., Schedules database, accessed November 2025.

Enplaned Passengers

Figure 5 depicts historical levels of enplaned passengers at the Airport from FY 2000 to FY 2025. Unless otherwise noted, all data in this section are presented for the City's FY ended September 30. Following a decade of accelerating growth, passenger numbers decreased in FY 2020 during the COVID-19 pandemic. By FY 2022, passenger numbers had recovered and exceeded the FY 2019 number and, in FY 2024, the Airport achieved a record-high number. In FY 2025, the number of enplaned passengers decreased 2.7%, to 10.7 million. Most U.S. large hub airports experienced passenger declines in 2025 as the post-pandemic surge in leisure travel abated. In overall terms, from FY 2000 to FY 2025, enplaned passengers increased at an average (compound) annual growth rate of 4.4%.



Most passengers traveling through the Airport either originate from or are destined to the MSA. Table 8 shows that these O&D passengers accounted for 89.2% of the Airport's enplaned passengers in FY 2025, while passengers connecting between flights accounted for the remainder. In FY 2025, 95.1% of passengers enplaned on domestic flights, while the remainder enplaned on international flights.

Table 8
HISTORICAL ENPLANED PASSENGERS
Austin-Bergstrom International Airport

Fiscal	Enplaned passengers					Percent of total		Percent of total	
Year	Domestic	International	Total	Originating (a)	Connecting	Domestic	International	O&D (a)	Connecting
2000	3,645,631	9,957	3,655,588	3,484,145	171,443	99.7%	0.3%	95.3%	4.7%
2010	4,254,279	2,527	4,256,806	4,043,559	213,247	99.9	0.1	95.0	5.0
2015	5,676,436	115,951	5,792,387	5,484,907	307,480	98.0	2.0	94.7	5.3
2016	6,051,203	129,261	6,180,464	5,885,837	294,627	97.9	2.1	95.2	4.8
2017	6,567,954	161,154	6,729,108	6,415,335	313,773	97.6	2.4	95.3	4.7
2018	7,531,515	208,296	7,739,811	7,382,731	357,080	97.3	2.7	95.4	4.6
2019	8,220,112	244,503	8,464,615	8,061,458	403,157	97.1	2.9	95.2	4.8
2020	4,622,302	101,242	4,723,544	4,531,357	192,187	97.9	2.1	95.9	4.1
2021	5,145,739	62,030	5,207,769	4,938,007	269,762	98.8	1.2	94.8	5.2
2022	9,746,923	386,812	10,133,735	8,700,960	1,432,775	96.2	3.8	85.9	14.1
2023	10,458,990	501,727	10,960,717	9,493,562	1,467,155	95.4	4.6	86.6	13.4
2024	10,468,766	537,915	11,006,681	9,668,752	1,337,929	95.1	4.9	87.8	12.2
2025	10,178,809	525,607	10,704,416	9,547,952	1,156,464	95.1	4.9	89.2	10.8
Percent increase (decrease)									
2023-2024	0.1%	7.2%	0.4%	1.8%	(8.8%)				
2024-2025	(2.8)	(2.3)	(2.7)	(1.2)	(13.6)				
Compound annual percent increase (decrease)									
2000-2010	1.6%	(12.8%)	1.5%	1.5%	2.2%				
2010-2015	5.9	114.9	6.4	6.3	7.6				
2015-2019	9.7	20.5	9.9	10.1	7.0				
2019-2025	3.6	13.6	4.0	2.9	19.2				
2000-2025	4.2	17.2	4.4	4.1	7.9				

Notes: For Fiscal Years ended September 30.

(a) Originating and connecting data for FY 2025 were estimated based on three quarters of actual data.

Sources: Austin Aviation records; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100, accessed November 2025. Airline Data Inc., Schedules database, accessed November 2025.

Airline Competition and Market Shares

Table 9 lists historical airline shares of enplaned passengers. In all discussions of historical airline service and passenger traffic by airline in this report, unless otherwise noted, data for merged airlines are accounted for with the surviving airline (i.e., America West Airlines, Trans World Airlines, and US Airways with American Airlines; Northwest Airlines with Delta Air Lines; Continental Airlines with United Airlines; Midwest Airlines with Frontier Airlines; AirTran Airways with Southwest Airlines; and Virgin America and Hawaiian Airlines with Alaska Airlines).

Southwest's share of enplaned passengers in FY 2025 was 41.0%, up from 36.6% in FY 2015. Second-, third-, and fourth-ranked Delta, American, and United accounted for 17.1%, 16.8%, and 12.5%, respectively. No other airline accounted for more than 4% of enplaned passengers at the Airport.

As of July 2025, AUS ranked 12th in Southwest's U.S. system (up from 20th in July 2019) and 15th in Delta's U.S. system (up from 28th in July 2019), in terms of scheduled departing seats.

In December 2025, Southwest announced plans to open a new crew base for pilots and flight attendants in Austin in March 2026. The move is expected to result in 2,000 new jobs based at the Airport.

Delta opened a permanent flight attendant base in Austin in October 2025, and it continues to develop at AUS what it terms a "focus city"—an airport with less connecting passenger flow than a full-fledged hub, but more than a spoke (i.e., an airport with service solely to airline hubs).

Table 9
HISTORICAL AIRLINE SHARES OF ENPLANED PASSENGERS
Austin-Bergstrom International Airport
Fiscal Years ended September 30

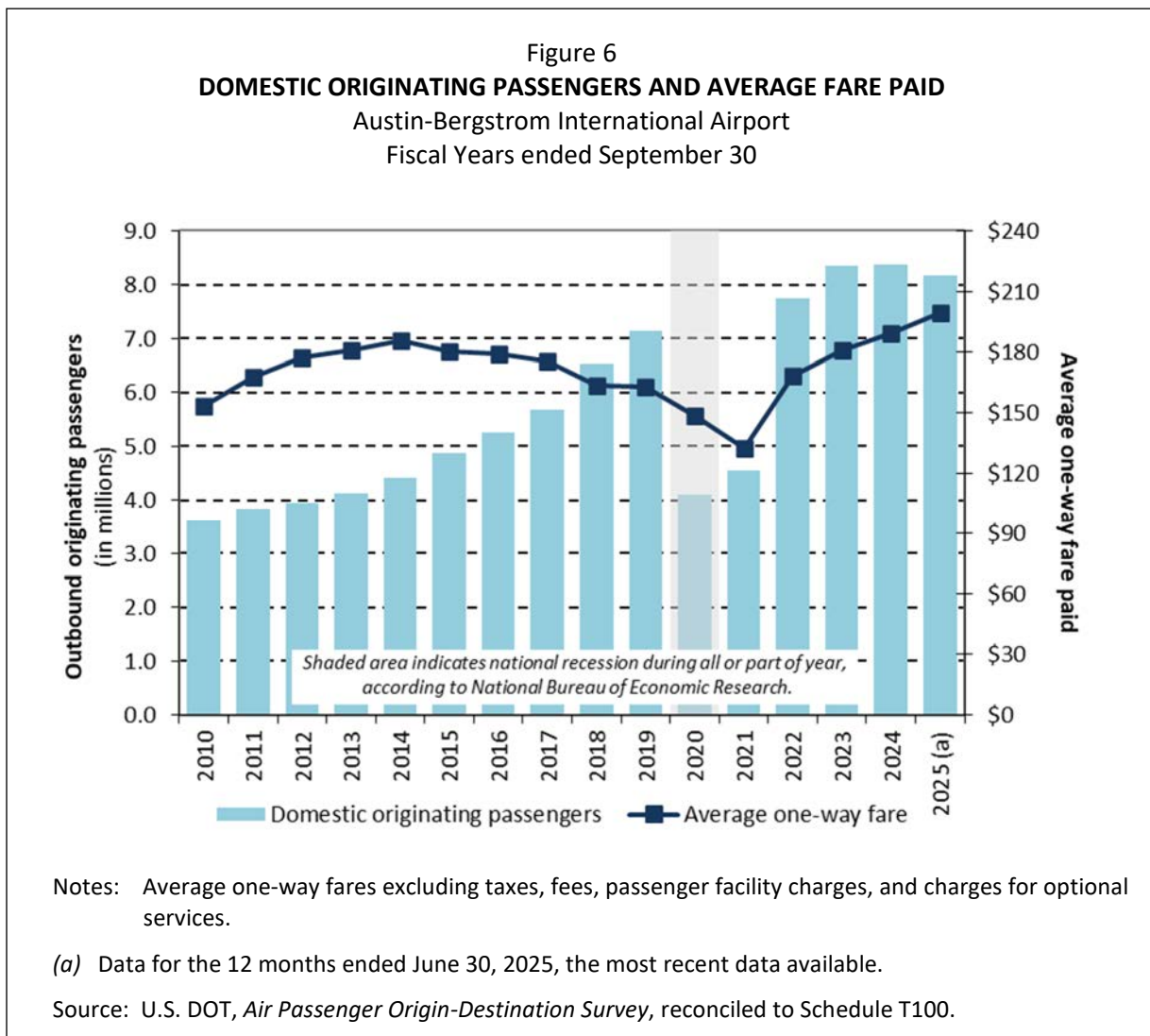
Airline	Enplaned passengers (thousands)			
	2015	2019	2024	2025
Southwest	2,119	2,930	4,510	4,394
Delta	700	1,130	1,597	1,831
American	1,261	1,524	2,315	1,801
United	971	1,223	1,267	1,339
Alaska/Hawaiian	175	306	421	382
<i>Alaska</i>	175	306	389	367
<i>Hawaiian</i>	--	--	33	15
Frontier	161	464	80	239
Spirit	--	273	188	169
British Airways	60	92	99	122
Allegiant	55	99	167	111
Air Canada	7	34	61	65
Aeromexico	0	23	35	50
Lufthansa	--	21	45	49
All Other	<u>284</u>	<u>346</u>	<u>220</u>	<u>152</u>
Total	5,792	8,465	11,007	10,704
Share of total				
Southwest	36.6%	34.6%	41.0%	41.0%
Delta	12.1	13.3	14.5	17.1
American	21.8	18.0	21.0	16.8
United	16.8	14.5	11.5	12.5
Alaska/Hawaiian	3.0	3.6	3.8	3.6
<i>Alaska</i>	3.0	3.6	3.5	3.4
<i>Hawaiian</i>	--	--	0.3	0.1
Frontier	2.8	5.5	0.7	2.2
Spirit	--	3.2	1.7	1.6
British Airways	1.0	1.1	0.9	1.1
Allegiant	1.0	1.2	1.5	1.0
Air Canada	0.1	0.4	0.6	0.6
Aeromexico	0.0	0.3	0.3	0.5
Lufthansa	--	0.2	0.4	0.5
All Other	<u>4.9</u>	<u>4.1</u>	<u>2.0</u>	<u>1.4</u>
Total	100.0%	100.0%	100.0%	100.0%

Notes: Passengers reported by regional affiliates are grouped with their respective code-sharing partners. Columns may not add to totals shown because of rounding.

Source: Austin Aviation records.

Figure 6 shows domestic originating passengers and average domestic airfares at the Airport from FY 2010 to FY 2025. The average one-way fare paid for domestic flights at AUS decreased from FY 2014 through FY 2021 before increasing from FY 2021 through FY 2025. Despite the 50% increase in average domestic airfares between FY 2021 and FY 2025, the number of domestic originating passengers increased 79% over the same period as post-pandemic travel demand rebounded.

For the 12 months ended June 30, 2025 (the most recent period for which data are available), the average one-way fare paid for domestic flights at AUS was \$199, for an average trip distance of 1,185 miles. By way of comparison, average one-way domestic fares at SAT, IAH, and DFW, were \$201, \$203, and \$207 for average trip distances of 1,180, 1,125, and 1,071 miles, respectively. Airfares tend to correlate with flight length (longer lengths generally equate to higher airfares), as well as trip purpose (higher proportions of business travelers generally equate to higher airfares), and are affected by the degree of airline competition in given city-pair markets.



The average airfares shown in Figure 6, as reported by the airlines to the U.S. DOT, exclude charges for optional services, such as checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes. Such charges have become widespread in the airline industry since 2006. As a result, the average airfares shown understate the amount actually paid by airline passengers for their travel. Optional service charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline.

Air Cargo

Table 10 presents historical data on enplaned and deplaned air cargo tonnage. Cargo tonnage (carried by all-cargo aircraft and as belly cargo on passenger airline aircraft) decreased between FY 2000 and FY 2010 at an average rate of 7.5% per year. The decrease was attributable to a combination of factors, including post-September 2001 security restrictions, increased use of time-definite ground transportation modes as the relative operating economics of air and truck modes changed, changes in patterns of global trade and supply-chain functionality, and industry consolidation. Between FY 2010 and FY 2015, there was negligible growth in air cargo tonnage but, since FY 2015, growth has returned. Double-digit year-over-year growth occurred in FY 2017, and FY 2020 through FY 2022. In FY 2025, Air Transport International (operating as Amazon Air) accounted for 38.2% of the air cargo tonnage enplaned and deplaned at the Airport, FedEx for 17.0%, and UPS for 11.5%. The remaining 33.4% of air cargo tonnage was carried by passenger airlines and other air cargo operators. Mail tonnage has decreased in recent years, largely replaced by electronic modes of communication.

Table 10
HISTORICAL AIR CARGO TONNAGE
Austin-Bergstrom International Airport
Fiscal Years ended September 30

Fiscal Year	Cargo tonnage			Annual increase (decrease)
	Freight and express	Mail	Total	
2000	154,385	14,873	169,258	
2010	75,047	2,839	77,886	
2015	75,694	3,358	79,052	
2016	81,385	2,372	83,757	6.0%
2017	91,076	3,290	94,366	12.7
2018	87,657	3,769	91,426	(3.1)
2019	85,175	4,947	90,122	(1.4)
2020	96,338	4,132	100,470	11.5
2021	112,708	3,925	116,633	16.1
2022	150,882	3,869	154,750	32.7
2023	140,404	1,964	142,368	(8.0)
2024	150,496	485	150,980	6.0
2025	140,275	51	140,326	(7.1)
	Percent increase (decrease)			
2023-2024	7.2%	(75.3%)	6.0%	
2024-2025	(6.8)	(89.5)	(7.1)	
	Average annual percent increase (decrease)			
2000-2010	(7.0%)	(15.3%)	(7.5%)	
2010-2015	0.2	3.4	0.3	
2015-2019	3.0	10.2	3.3	
2019-2025	8.7	(53.3)	7.7	
2000-2025	(0.4)	(20.3)	(0.7)	

Note: Calculated percentages may not match those shown because of rounding.

Source: City of Austin, Austin Aviation records.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the demographics and economy of the Austin region, as discussed earlier, key factors that will affect future airline traffic at the Airport in the long term include:

- National economic conditions
- International economic and geopolitical conditions
- Financial health of the airline industry
- Airline consolidation
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Public health concerns
- Climate change concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

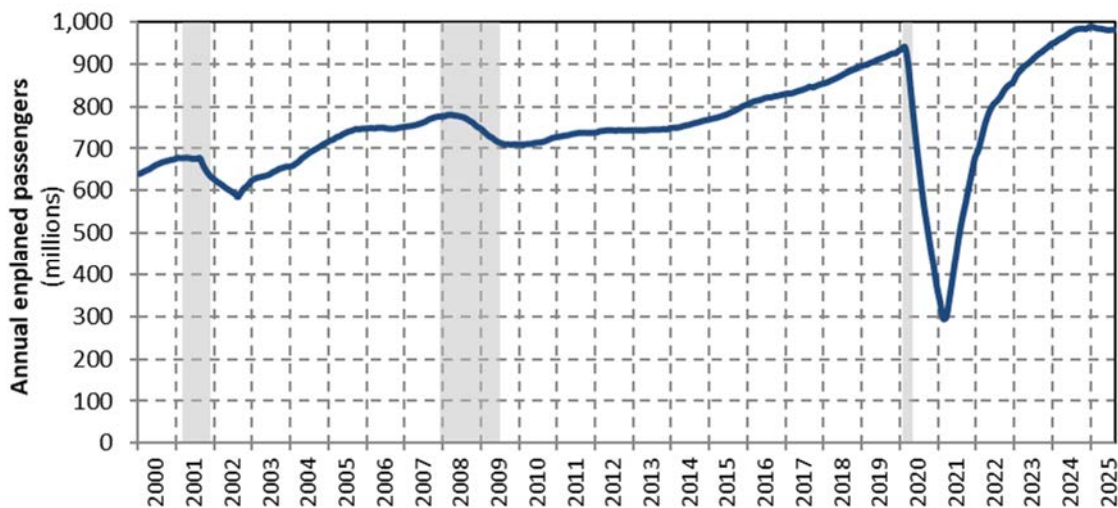
National Economic Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated on Figure 7, recessions in the U.S. economy in 2001, 2008-2009, and 2020, and associated high unemployment, reduced airline travel.

The 2020 economic recession brought about by the COVID-19 pandemic and related government actions to contain the spread of the disease was short-lived but caused the largest ever decrease in real GDP (31.2% in the second quarter of 2020), with an associated sharp increase in unemployment. The second quarter decrease was followed by strong GDP growth in the third and fourth quarters, with GDP in the fourth quarter of 2020 at close to the pre-pandemic level. Economic recovery continued in 2021 through 2025 and GDP increased a cumulative 17.7% over the five years.

Future increases in domestic passenger traffic at the Airport will depend on the continuation of national economic growth.

Figure 7
HISTORICAL ENPLANED PASSENGERS ON U.S. AIRLINES



Notes: Data shown are 12-month moving averages of enplaned passengers on scheduled and nonscheduled flights to domestic and international destinations. Shaded areas indicate months of economic recession.

Sources: U.S. DOT, Bureau of Transportation Statistics, T100 Market and Segment, www.transtats.bts.gov, accessed December 2025; National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, www.nber.org.

International Economic and Geopolitical Conditions

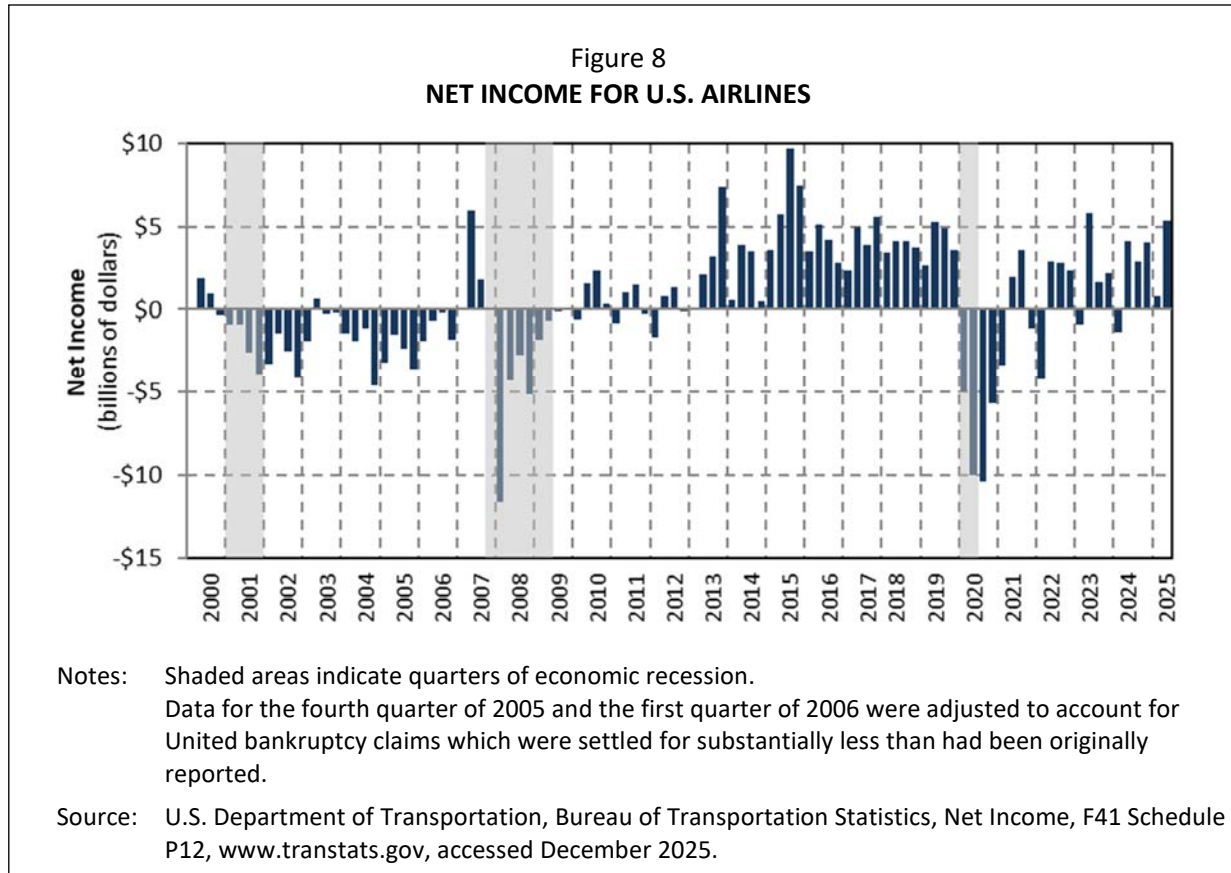
International passenger and cargo traffic at U.S. airports is influenced by the globalization of business, international trade and tourism, international economics, trade balances and tariffs, currency exchange rates, government policies, and geopolitical relationships. Concerns about hostilities, terrorist attacks, other perceived security risks, and associated travel restrictions also affect travel demand to and from particular international destinations from time to time.

Ongoing military conflicts that are causing economic disruption, instability, and restrictions on the use of airspace and airports include those in the Middle East, Ukraine, Africa, southeast Asia, and South America. Policies being implemented by the U.S. government that may affect international travel include increased tariffs on imports that could increase travel costs, reduce spending by both leisure and business travelers, and reduce airline seat capacity. In addition, more restrictive registration and visa requirements being implemented for certain foreign nationals visiting the United States could depress travel demand.

Future increases in international passenger and cargo traffic at the Airport will partly depend on global economic growth, the containment of regional military conflicts and civil unrest, a stable and secure travel environment, and government policies that do not unreasonably restrict or deter travel or trade in goods and commodities.

Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service. Figure 8 shows historical net income for U.S. airlines.



Largely as a result of the 2001 economic recession and the disruption of the airline industry following the September 2001 attacks, the industry experienced large financial losses between 2001 and 2006. During this period, Delta, Northwest, United, and US Airways filed for bankruptcy protection and restructured their operations.

In 2007, the U.S. passenger airline industry was profitable, but in 2008, as oil and aviation fuel prices increased to unprecedented levels and the U.S. economy contracted, the industry again experienced large losses. The industry responded by grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares.

From 2010 to 2013, after recovery from the 2008-2009 recession, U.S. passenger airlines generally recorded positive net income, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, achieving high load factors, and increasing ancillary revenues. American filed for bankruptcy protection in 2011.

From 2014 to 2019, the U.S. passenger airline industry reported a succession of profitable years as fuel prices were low, demand was strong, and control of capacity allowed fares and ancillary charges

to remain high, even as agreements between the major airlines and their unionized employees resulted in increased labor costs.

Beginning in 2020, reductions in air travel demand caused by the COVID-19 pandemic resulted in unprecedented airline industry losses. These losses were partially mitigated by federal aid provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted in March 2020 and the American Rescue Plan Act of 2021 (ARPA) enacted in March 2021.

In response to the pandemic-induced losses, airlines took various actions to reduce costs and maintain liquidity, including reducing staffing, accelerating the retirement of older aircraft, and deferring the acquisition of new aircraft. As shown in Figure 8, the U.S. airline industry as a whole returned to profitability in the second quarter of 2022, although some airlines, particularly low-cost carriers, continue to face financial challenges. Spirit filed for bankruptcy protection in November 2024 after two unsuccessful attempts at mergers with Frontier and JetBlue, then in August 2025 filed for a second time after failing to complete a reorganization.

Supply chain constraints causing shortages of aircraft engines, avionics, and other essential components are also affecting the ability of Airbus and Boeing to produce the larger, more fuel-efficient aircraft in the numbers being sought by airlines. Commercial aircraft manufacturing has also slowed due to delays in the certification of new aircraft such as the B-737 MAX 10.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, stable fuel prices, and the ability of airlines to hire and retain enough qualified employees, particularly pilots and mechanics, and acquire enough fuel-efficient aircraft to support increased flight operations.

Airline Consolidation

Consolidation of the U.S. airline industry resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), the acquisition of Virgin America by Alaska (2016), and the acquisition of Hawaiian by Alaska (2024). In January 2026, Allegiant and Sun Country announced a merger agreement, the completion of which is subject to federal antitrust clearance.

Airline industry consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 75% of domestic seat-mile capacity. Consolidation has contributed to recent airline industry profitability, but any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines could drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide.

Airline Service and Routes

The Airport serves as a gateway to the MSA. The number of originating passengers at the Airport depends primarily on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the fares and service provided at the Airport. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport.

The large network airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends primarily on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2012), Memphis (Delta, 2011-2013), and Cleveland (United, 2014). Passengers connecting between flights account for a small share of passengers enplaning at the Airport.

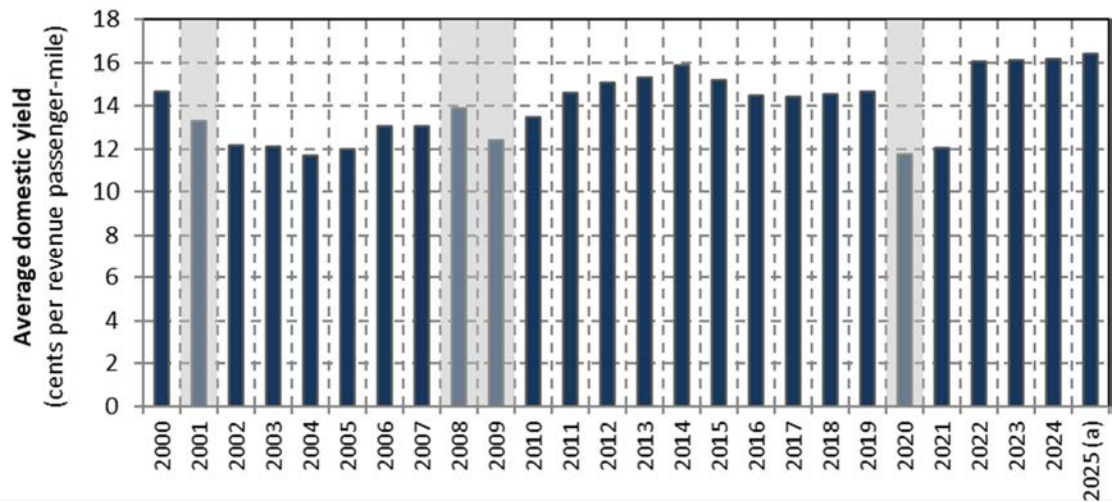
Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive “discretionary” travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend partly on the level of airfares.

Figure 9 shows the historical average domestic yield (airfare per passenger-mile) for U.S. airlines. After the 2008-2009 recession, the average yield increased through 2014 as airline travel demand strengthened, the airlines collectively reduced available seat capacity and were able to sustain airfare increases. Between 2014 and 2016, the average yield was reduced as a result of airline competition, and, through 2019 was fairly stable. The average yield decreased in 2020 and 2021 as travel demand was depressed during the COVID-19 pandemic then increased in 2022 as demand rebounded and airline seat capacity was constrained. Since 2022, average domestic yields have been stable.

Beginning in 2006, ancillary charges were introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

Figure 9
HISTORICAL AVERAGE DOMESTIC YIELD



Notes: Average yields shown are net of taxes, fees, and passenger facility charges and exclude fees charged by the airlines for optional services.

Shaded areas indicate economic recession during all or part of year.

(a) Data for the 6 months ended June 30, 2025, the most recent data available.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 10 shows the historical fluctuation in aviation fuel prices caused by the many factors influencing the global demand for and supply of oil.

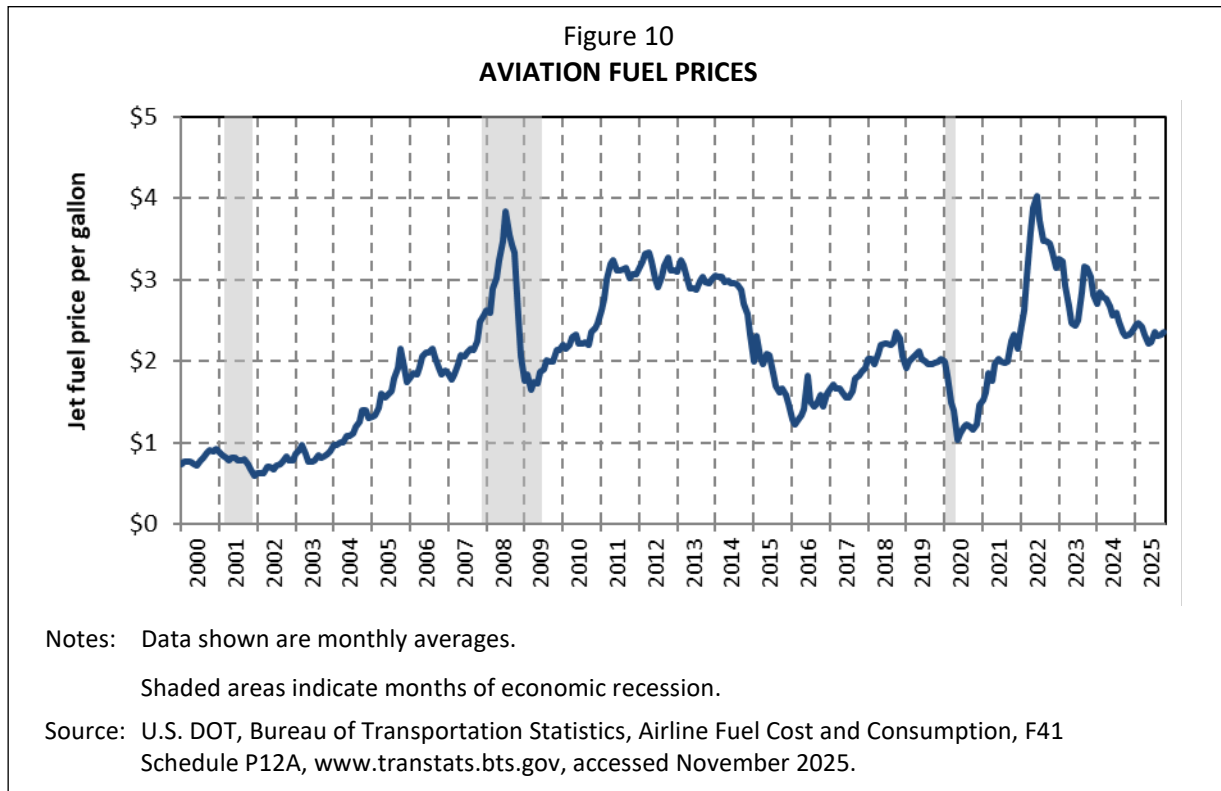
Between early 2011 and mid-2014, aviation fuel prices were relatively stable, partly because of increased oil supply from U.S. domestic production made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies.

Beginning in mid-2014, an imbalance between worldwide demand and supply resulted in a precipitous decline in the price of oil and aviation fuel through the end of 2015. Fuel prices then increased, but the average price of aviation fuel at the end of 2019 was still approximately 30% below the price at mid-2014.

As the COVID-19 pandemic drastically reduced the demand for aviation fuel in early 2020, the price of aviation fuel fell sharply, before rebounding in 2021 as pandemic restrictions were eased, economies recovered, and demand exceeded supply.

The economic disruption and sanctions resulting from the Russian invasion and war on Ukraine exacerbated the worldwide imbalance of demand and supply and caused increased oil and aviation fuel prices, peaking in June 2022. The ongoing military conflict in the Middle East is disrupting the flow of oil from the region and causing abrupt fluctuations in aviation fuel prices.

Higher fuel prices have a negative effect on airline profitability as well as far-reaching implications for the global economy.



Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. Measures have included strengthened aircraft cockpit doors, increased presence of armed federal air marshals, federalization of airport security under the Transportation Security Administration (TSA), more intensive screening of passengers and baggage, and the deployment of improved screening technologies.

Following fatal crashes of B-737 MAX aircraft caused by the malfunction of the aircraft's automated flight control system, all B-737 MAX aircraft were grounded in March 2019. Among North American airlines, Air Canada, American, Southwest, United, and WestJet were affected. In November 2020, following the approval of modifications to the flight control system software and pilot training, the FAA rescinded its order grounding the aircraft, allowing it to be reintroduced into service.

In January 2024, a panel in the aircraft fuselage of a B-737 MAX 9 aircraft blew out in flight. As a result of the incident, the FAA temporarily grounded all B-737 MAX 9 aircraft, increased oversight of Boeing's manufacturing processes, and stated that it will not permit the company to increase aircraft

production rates until adequate manufacturing quality controls are in place. A subsequent audit by the FAA into the manufacturing processes identified quality control violations by Boeing and its fuselage manufacturer, Spirit AeroSystems. Such production restrictions have constrained Boeing's ability to deliver aircraft as planned and, although the restrictions are gradually being relaxed, could delay the ability of some airlines to increase capacity and upgrade their fleets with more fuel-efficient aircraft.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation safety concerns. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Public Health Concerns

Public health concerns and associated restrictions on travel periodically reduce airline travel demand to and from various parts of the world. Examples are Severe Acute Respiratory Syndrome (SARS) in 2002-2003, the H1N1 influenza virus in 2009, Middle East Respiratory Syndrome (MERS) in 2013, Ebola Virus Disease (EVD) in 2014-2016, and the Zika virus in 2016-2017. In all these historical examples, reductions in airline travel were geographically localized and short-lived, with travel soon recovering to pre-health-scare trends.

By comparison, the COVID-19 pandemic had far more serious and widespread effects on airline travel worldwide. In late 2019, the novel coronavirus that causes the COVID-19 respiratory illness emerged, soon spreading through most of the world. COVID-19 was declared a global pandemic by the World Health Organization in March 2020.

During the early months of the COVID-19 pandemic, governmental actions to slow the spread of the disease, including the mandated closure of businesses and offices, work-at-home requirements, prohibitions of public gatherings, quarantines, and travel restrictions contributed to a recession in the global economy and widespread job losses. The economic recession, combined with fears about contagion, resulted in a severe reduction in the demand for air travel, the grounding of much of the world's airline fleets, and cuts in airline service.

In December 2020, the first COVID-19 vaccines were administered in the United States. The success of the vaccines in preventing the transmission of the virus and reducing its effects resulted in a steady recovery in domestic air travel through the summer of 2021, although new variants of the virus then emerged and resulted in new waves of cases in the fall and winter of 2021.

By 2022, the availability and acceptance of vaccines and treatments had allowed the pandemic to be largely brought under control. As quarantine, testing, and other travel restrictions were relaxed, COVID-19 was no longer an important factor affecting airline travel. By 2023, domestic airline travel at many U.S. airports had approached or exceeded pre-pandemic levels.

Some determinants of air travel demand have changed from those existing pre-pandemic. There have been reductions in business travel for in-person meetings as a result of the widespread adoption of videoconferencing. Companies have reduced travel by their employees and thereby achieved cost savings that have become a permanent feature of their financial operations. Offsetting those effects,

there has been an increase in travel by workers who relocated during the pandemic who need to visit a central office location regularly. Remote and hybrid working and travel for a combination of business and leisure purposes have also changed travel demand patterns.

Climate Change Concerns

There is now widespread acknowledgement of the need for the nations of the world to transition from fossil fuels to cleaner energy sources that will allow the worst effects of global warming and climate change to be avoided.

Much like the way that the COVID-19 pandemic has changed some airline travel behavior and demand patterns, concerns about the contribution of airline travel to the emission of carbon dioxide and other greenhouse gases into the atmosphere may influence future airline travel demand. For example, there may be increased societal pressures to avoid or reduce travel perceived as wasteful, particularly long-haul international travel; to favor or require the use of lower-emission travel modes, such as train over airplane, for short trips; and for corporations to limit employee travel to achieve environmental, social, and governance objectives.

Pre-pandemic, the aviation industry accounted for approximately 10% of anthropogenic greenhouse gas emissions from the U.S. transportation sector and 3% of total U.S. emissions. Alternatives to petroleum-derived jet fuel are unlikely to be economically available at large scale for the foreseeable future, so aviation's share of emissions will likely increase and attract more scrutiny. Consequently, it will be imperative for the industry to achieve efficiencies if growth in airline travel is to be sustained.

Achieving those efficiencies and mitigating emissions will require financial investments and changes to the operating economics of the aviation industry. Changes will likely include the early retirement and replacement of inefficient aircraft; the payment of carbon taxes and other regulatory charges designed to penalize or offset emissions; and the development of technologies and incentives to increase the supply and reduce the cost of sustainable aviation fuels derived from biomass and other renewable sources. In the longer term, investments will be required to develop new aircraft propulsion technologies using fuels such as hydrogen or electric power generated from renewable sources.

Increased direct governmental regulation of greenhouse gas emissions from aircraft is also possible. In 2020, the U.S. Environmental Protection Agency adopted emission standards that apply to new commercial aircraft and align with standards adopted by the International Civil Aviation Organization. More stringent emission standards may apply in the future.

Inevitably, some of the costs required to reduce greenhouse gas emissions and combat climate change will be passed on to passengers in the form of higher fares or surcharges and thereby may inhibit airline travel demand.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased because of reduced numbers of aircraft operations (down

approximately 9% between 2007 and 2023) but, as airline travel increases in the future, flight delays and restrictions may be expected. In May 2025, the U.S. DOT announced a plan to build a new national air traffic control system involving the replacement of radar, software, hardware, and telecommunications networks. In July 2025, federal legislation was enacted that provided approximately \$12.5 billion of funding for such improvements.

Recent shortages of qualified air traffic controllers have also reduced airspace capacity in some regions. The airport traffic control tower at AUS is among many that are understaffed. The fatal collision of a commercial passenger aircraft and a military helicopter in Washington, DC in January 2025 increased scrutiny of air traffic controller staffing levels nationwide. The ability of the FAA to maintain and increase the capacity of the national air traffic control system will depend in part on its ability to hire, train, and retain adequate numbers of skilled controllers.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and national airport systems, future growth in airline traffic at the Airport will depend on the provision of capacity to accommodate aircraft flights and passengers. The forecast of passengers presented in the report was based on the assumption that neither available airfield capacity nor demand management initiatives will constrain traffic growth at the Airport. Furthermore, it was assumed that the forecast increases in enplaned passengers will be accommodated by the existing terminal and the additional capacity to be provided by the 2026-2030 Project.

AIRLINE TRAFFIC FORECASTS

Forecasts of airline traffic at the Airport through FY 2033 were developed based on the economic outlook for the MSA, trends in historical airline traffic, and key factors likely to affect future airline traffic, all as discussed earlier in the report. The passenger forecast for the Airport published in the FAA's most recent *Terminal Area Forecast* (TAF), issued in January 2025, was also reviewed.

In developing the forecasts, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of growth in the economy of the MSA and increased airline service. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that inhibit growth.

Base Passenger Forecast

Specifically, the base passenger forecast was developed based on the assumptions that:

- The U.S. economy will experience sustained growth in GDP averaging between 2.0% and 2.5% per year, an average rate of GDP growth generally consistent with that projected by the Congressional Budget Office.
- Population and employment in the MSA will increase at a faster rate than for the United States as a whole.
- Demand for passenger travel to and from the MSA will remain strong based on the strength of the local economy, relatively high incomes, and the region's relative attractiveness as a tourism, business, and convention destination.
- The Airport will continue to be primarily an origin-destination airport and the percentage of passengers connecting at the Airport will not change materially from the percentage recorded in FY 2025 (approximately 11%) through FY 2030.
- Beginning in FY 2031, when additional gate capacity is scheduled to be provided at the opening of Concourse B, increased airline service, particularly by Delta and Southwest, will create opportunities for convenient connecting services and the percentage of passengers connecting at the Airport will increase to approximately 22% by FY 2033.
- Airlines will add service to meet travel demand at the Airport and competition among airlines will ensure competitive airfares for flights from the Airport, notwithstanding higher operating costs and general price inflation.
- The airlines serving the Airport collectively will be able to hire and retain enough qualified employees, particularly pilots and mechanics, and acquire enough aircraft to support increased flight operations.
- A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.

- There will be no major disruption of airline service or airline travel behavior due to international hostilities, terrorist acts or threats, or government policies restricting or deterring air travel.

The number of enplaned passengers at the Airport was 10.7 million in FY 2025. In FY 2026, the number of enplaned passengers is forecast to increase 5.6%, to 11.3 million. The forecast for FY 2026 takes into account actual numbers of enplaned passengers through October 2025 and advance published airline flight schedules through June 2026. The advance schedules are subject to change and could be reduced in the face of insufficient air travel demand.

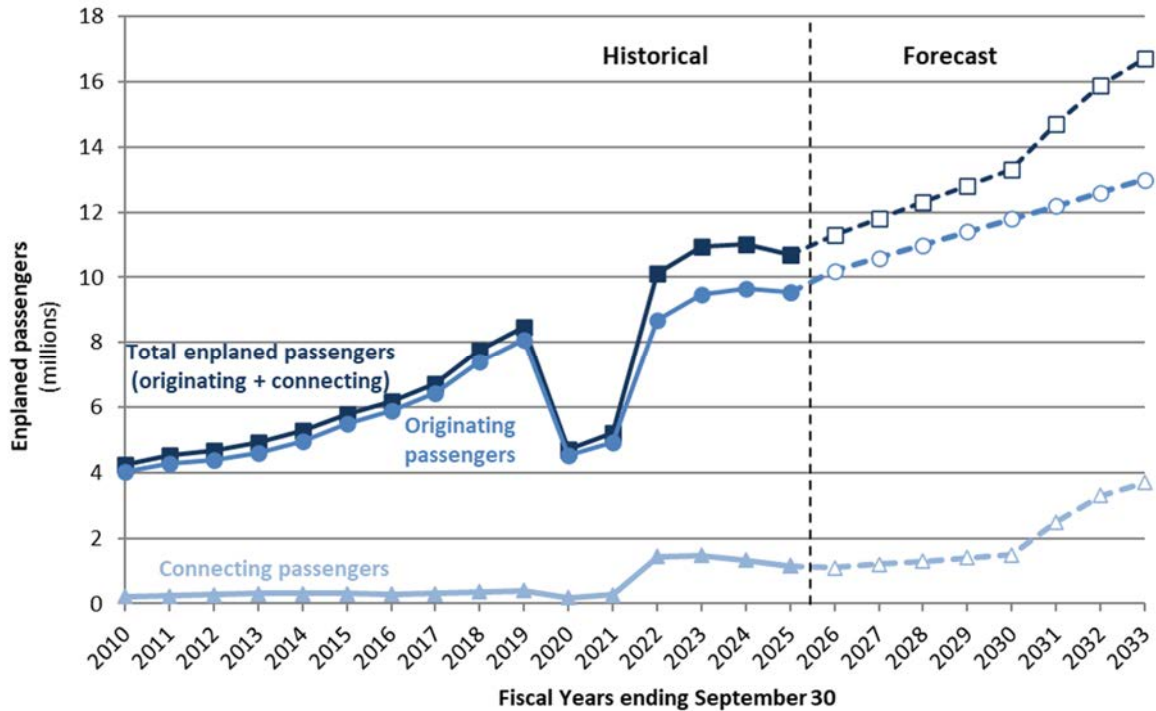
Exhibit P, in the financial exhibit set at the end of the report, and Figure 11 present the base forecast of originating, connecting, and total enplaned passengers through FY 2033. Exhibit P also shows the forecast of aircraft landed weight, which was derived from the passenger forecast using assumed trends in aircraft seat capacity and occupancy that would result in landed weight increasing at a lower rate than enplaned passengers. The forecast increase in the number of enplaned passengers from 10.7 million in FY 2025 to 16.7 million in FY 2033, amounts to an average of 5.7% per year, compared with an average of 4.0% per year between FY 2019 and FY 2025.

Stress Test Passenger Projection

A stress test passenger projection was developed to provide the basis for testing the sensitivity of the Airport's financial results to a hypothetical reduction in passenger numbers, such as could occur under conditions of weak economic growth or recession, restricted seat capacity, and high airfares. Relative to the base forecast, beginning in FY 2027, enplaned passenger numbers for the stress test are projected to be between 13% and 15% lower. The stress test projection of financial results is shown in Exhibit H-2 at the end of the report.

Figure 11
AIRLINE TRAFFIC FORECAST
 Austin-Bergstrom International Airport
 Fiscal Years ended September 30

The forecasts presented in this table were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from the forecasts, and the variations could be material.



Note: Includes passenger and all-cargo airlines.

Sources: Historical – Austin Aviation records.

Forecasts – LeighFisher, December 2025.

FINANCIAL ANALYSIS

FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

Austin-Bergstrom International Airport comprises the Airport System, is owned by the City of Austin, and is operated by Austin Aviation as a self-supporting enterprise fund under the direction of a Chief Executive Officer with a staff of 688 employees. Certain accounting, budgeting, bond financing, treasury, and related functions are performed by the City's Financial Services Department. Airport System funds are held in separate City accounts.

Revenue Bond Ordinances

The financial operations of the Airport are governed, in large part, by the Revenue Bond Ordinances, under the provisions of which all outstanding and future Revenue Bonds, including the proposed 2026AB Bonds and the planned Future Bonds will be secured by a first lien and pledge of Net Revenues.

In the Rate Covenant (Section 5.03(b) of the Revenue Bond Ordinances), the City covenants that it will impose and collect rentals, rates, fees, and other charges for the use of the Airport System so that in each Fiscal Year, Net Revenues will be at least sufficient to equal an amount that, together with Other Available Funds, is not less than 125% of the Debt Service Requirements of Revenue Bonds plus 100% of budgeted Administrative Expenses (as defined in the Revenue Bond Ordinances) for the Fiscal Year.

The Revenue Bond Ordinances provide for the issuance of Additional Revenue Bonds and prescribe the application of Airport System Revenues to the funds and accounts established under the Revenue Bond Ordinances, as described in the later section "Application of Revenues."

Airline Agreement

As described in the later sections "Landing Fees" and "Airline Terminal Rentals and Fees," the Airline Agreement provides for the calculation of Signatory Airline rentals, fees, and charges according to cost-recovery principles. Other, nonsignatory, airlines operate at the Airport under operating agreements. Airline revenues presented in the report were forecast on the assumption that the airlines collectively will pay rentals, fees, and charges in accordance with the provisions of the Airline Agreement.

SOURCES OF FUNDS FOR THE 2026-2030 PROJECT

Exhibits A-1 and A-2 summarize the estimated costs and funding sources for the 2026-2030 Project, which the City intends to fund through FY 2030 and implement through approximately FY 2031. Under provisions of the Airline Agreement, the Signatory Airlines have approved the scope, estimated costs, and funding plan for the 2026-2030 Project as summarized in Exhibits A-1 and A-2.

Federal Grants-in-Aid

The City is eligible to receive grants-in-aid under the FAA's Airport Improvement Program (AIP) for up to 75% of the costs of airfield and other approved projects. Some of these grants are entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other, discretionary, grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports in

the nation. Over the 10 years FY 2016 through FY 2025, the City received AIP entitlement and discretionary grants together averaging \$12.6 million per year. In addition, over the 5 years FY 2022 through FY 2025, the City received federal grants averaging \$25.6 million per year under the Bipartisan Infrastructure Law (BIL). In the City's funding plan shown in Exhibit A-2, AIP grants totaling \$215.7 million were assumed to fund airfield elements of the 2026-2030 Project.

In addition, through a letter of intent (LOI) issued in October 2025, the FAA announced its intention to provide \$108.0 million of grant funding for the Midfield Taxiway project and other airfield improvements. The City expects to receive the LOI grants in annual amounts of \$12.0 million beginning in FY 2027. The City plans to use the FY 2027 grant for pay-as-you-go funding and, in FY 2028 through FY 2035, to use the grants to pay principal on the proposed 2026A (Non-AMT) Bonds.

Passenger Facility Charge Revenues

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport and has imposed the PFC at the \$4.50 level since April 2004. Through September 30 2025, cumulative PFC revenues, including investment earnings, totaled \$624 million, of which \$479 million had been expended for approved project costs, essentially all to pay Revenue Bond debt service. Under FAA approvals received to date, the City is authorized to continue to impose the PFC and use PFC revenues to pay certain debt service on outstanding Revenue Bonds.

In January 2026, the City received acknowledgement by the FAA of the City's intent to extend collection of the PFC and use \$48 million of PFC revenues for pay-as-you-go projects. With that acknowledgement, the City's PFC collection and spending authorization as of March 31, 2026, totals \$879 million at the \$4.50 level and is projected to expire in September 2035.

Exhibit F presents historical and forecast sources and uses of PFC revenues by year, assuming the continued imposition of a \$4.50 PFC to allow the collections and expenditures shown. The City intends to use PFC revenues to pay project costs pay-as-you-go and to pay a portion of the debt service of the 2026AB Bonds and the planned Future Bonds and to submit one or more PFC applications to the FAA to obtain approval for such payments. For purposes of the report, it was assumed that such applications will be approved.

Capital Fund

Amounts accumulated in the Capital Fund represent revenues remaining after all other requirements of the Revenue Bond Ordinances are satisfied. Exhibit G shows historical and forecast amounts applied to the Capital Fund. As shown in Exhibit A-2, the City plans to use \$562 million of amounts accumulated in the Capital Fund to pay certain of the costs of the 2026-2030 Project.

In addition, the City plans to fund from the Capital Fund the costs of an ongoing program of major maintenance projects budgeted at \$360 million over the six years FY 2026 through FY 2031. The costs of projects for the airline cost centers are to be paid from the Major Maintenance Account established under the Airline Agreement. The Major Maintenance Account is to be funded from Signatory Airline rentals, fees, and charges transferred from the Capital Fund in the amounts of \$30 million in FY 2026 increased annually thereafter with any increase in the CPI.

Revenue Bonds

Costs of the 2026-2030 Project not paid from federal grants, PFC revenues, and contributions from the Capital Fund are to be paid from the proceeds of Revenue Bonds. Exhibit B presents the estimated sources and uses of funds for the proposed 2026AB Bonds and planned Future Bonds. Financing assumptions, as provided by Frasca & Associates, LLC, the City's independent registered municipal advisor, are shown in Exhibit B. Only the proceeds from the sale of the Revenue Bonds were assumed as sources of funds. Investment earnings on Revenue Bond funds were not taken into account.

The estimated uses of Revenue Bond funds are (1) refunding of subordinate lien notes issued to provide interim project financing, (2) deposits to the Construction Fund to pay costs of the 2026-2030 Project; (3) deposits to the Capitalized Interest Account to pay Revenue Bond interest during construction; (4) deposits to meet the Debt Service Reserve Fund Requirement; and (5) payment of underwriters' discount, financing, legal, and other bond issuance expenses.

Revenue Bond Debt Service Requirements

Exhibit C presents Debt Service Requirements (amounts to be accrued for the Fiscal Years ended September 30) for outstanding Revenue Bonds, the proposed 2026AB Bonds, and the planned Future Bonds. Debt Service Requirements (net of amounts to be paid from capitalized interest, PFC revenues, and certain LOI grants) are allocated to Airport cost centers in accordance with the provisions of the Airline Agreement.

OPERATION AND MAINTENANCE EXPENSES

Operation and Maintenance Expenses are defined in the Revenue Bond Ordinances as all reasonable and necessary current expenses of operating, maintaining, and repairing the Airport System (as paid or accrued), including allocated City overhead expenses and costs of direct support services provided by City departments other than Austin Aviation.

Exhibit D presents Operation and Maintenance Expenses by type and by cost center. Data for FY 2022 through FY 2025 are actual amounts as recorded by Austin Aviation. Data for FY 2026 are as budgeted. Expenses are allocated to cost centers in accordance with the provisions of the Airline Agreement.

Operation and Maintenance Expenses were forecast from FY 2026 amounts assuming:

- Expenses will increase approximately 11% in FY 2027 in line with Airport management's expectations.
- The unit costs of salaries, wages, benefits, materials, services, and supplies will then increase at approximately 3.0% per year due to inflation.
- In addition to inflation-related increases, the costs of operating, maintaining, and administering Airport facilities will increase with increased passenger and aircraft activity at a rate of 1.5% per year, giving an overall increase in expenses of approximately 4.5% per year.

- As facilities are completed as part of the 2026-2030 Project, additional expenses will be incurred. In particular, it was assumed that terminal operating expenses will increase by approximately \$70 million between FY 2029 and FY 2031 when Concourse B opens.

REVENUES

Exhibit E presents historical and forecast Gross Revenues. Data for FY 2022 through FY 2025 are actual amounts as recorded by Austin Aviation. Individual components of Gross Revenues were forecast, using actual FY 2025 amounts as the base, accounting for unit price inflation at 2.0% per year, planned terminal development, the provisions of the Airline Agreement, and the terms of other leases and agreements with Airport concessionaires, tenants, and users.

Revenues from sources related to passenger numbers, such as concession, parking, and rental car revenues, were forecast as a function of the passenger forecasts shown in Exhibit P. Specific assumptions are described in the following sections.

AIRLINE REVENUES

Airline revenues are as calculated under the provisions of the Airline Agreement and in FY 2025 totaled \$175.7 million, 51% of Airport Operating Revenues. The Airline Agreement establishes cost centers to which Operating and Maintenance (O&M) Expenses, Annual Net Debt Service (including coverage at 25%), Amortization Charges (to recover investments made from the Capital Fund), Reserve Deposits, and Major Maintenance Account deposits are allocated. Amounts allocated to the airline cost centers (Airfield Area, Apron Area, and Terminal Area) provide the basis for calculating airline rentals, fees, and charges. Amounts allocable to the nonairline cost centers are met by the City from concession, parking, rental car, and other nonairline revenues. The Airline Agreement does not provide for the sharing of nonairline revenues with the airlines in determining terminal rentals and charges.

The Airline Agreement provides for the funding of the Major Maintenance Account from Signatory Airline rentals, fees, and charges beginning in FY 2026 through transfers from amounts available in the Capital Fund. The amount of such funding is \$30 million for FY 2026 (\$10 million for Airfield Area, \$5 million for Apron Area, and \$15 million for Terminal Area) to be escalated annually thereafter with any increase in the CPI.

Landing Fees

Landing fees are set to recover the requirements of the Airfield Area cost center (runways, taxiways, air navigation aids, and associated land, facilities, and equipment). The Signatory Airlines pay landing fees, calculated according to a full residual methodology, to recover the requirements allocated to the Airfield Area cost center after the credit of fuel flowage fee revenues. Nonsignatory airlines pay landing fees at 115% of the signatory rate.

Terminal Rentals

Terminal rentals are set to recover the requirements of the Terminal Area cost center (airline leasable space and facilities in the terminal building). The Signatory Airlines pay terminal building rentals, calculated according to a commercial compensatory methodology, to recover the requirements allocated to the Terminal Area cost center (including certain of the costs of public space) over leased space. The Terminal Area requirement further includes supplementary coverage charges as needed

to ensure that in each Fiscal Year the coverage of the Debt Service Requirements of Revenue Bonds by Net Revenues is not less than 140%. Nonsignatory airlines pay for space at 115% of the signatory rate. Airline leasable space now totals approximately 420,000 square feet, of which approximately 80% is leased on a preferential use, joint use, or common use basis. After the opening of Concourse B, airline leasable space is estimated to increase to approximately 1,170,000 square feet, of which approximately 70% is assumed to be leased.

Other Rentals and Fees

Other payments made by the airlines include fuel facility fees to meet the capital recovery requirements of fuel storage and distribution facilities; fees to recover the costs of the apron for aircraft parking at the terminal building and overnight aircraft parking (RON) areas; terminal equipment fees to recover the costs of passenger loading bridges and flight information display systems, joint use charges for outbound baggage handling systems, baggage claim facilities, and passenger security screening facilities; and fees for the use of the CBP international arrivals facility.

NONAIRLINE REVENUES

Assumptions underlying the forecasts of nonairline revenues shown in Exhibit E are described in the following sections. Price inflation was assumed at 2.0% per year.

Parking and Ground Transportation

In FY 2025, revenues from parking, rental cars, and other commercial ground transportation services accounted for \$111.2 million, 32% of Airport Operating Revenues.

Parking. The City provides approximately 18,200 spaces for public and employee parking as shown in Table 11. Private operators that operate shuttle bus service to and from the passenger terminal provide approximately 4,300 parking spaces off Airport. The off-Airport operators pay to the City privilege fees assessed at 10% of their gross receipts.

Parking rates for the garages have recently been increased. For the Red Garage, the daily rate was increased from \$27 to \$29 in April 2023, to \$32 in April 2024, and to \$35 in May 2025. For the Blue Garage, the daily rate was increased from \$17 to \$19 in April 2023, to \$23 in April 2024, and to \$26 in May 2025. The hourly rate for garage parking was last changed in May 2025, from \$5 to \$7. The rate for Economy parking was last changed in April 2023, when the daily rate was increased from \$10 to \$12.

Table 11
PARKING FACILITIES AND RATES
Austin-Bergstrom International Airport
as of September 2025

	Number of Spaces	Rate per hour	Maximum rate per day
Public Parking			
Red Garage	2,950	\$7	\$35
Blue Garage	5,413	\$5	\$26
Economy Lots (a)	7,633		\$12
Subtotal	15,996		
Employee Parking			
Red Garage	409		
Blue Garage	283		
Lot J	1,474		
Subtotal	2,166		
Total	18,162		

(a) Includes 880 spaces at the South Terminal, to be closed in March 2026.

Source: City of Austin, Austin Aviation records.

The City's parking facilities and shuttle bus services are operated under a management fee contract with SP Plus Corporation (a subsidiary of Metropolis Technologies) that extends through June 2027. The contractor is reimbursed for operating and maintenance expenses and paid management and incentive fees (totaling \$582,000 for the contract year ending June 2027).

Following the opening of the Yellow Garage and the subsequent closing of the Red Garage to allow construction of the new Arrivals and Departures Hall, the City expects to provide approximately 20,800 spaces for public and employee parking by 2030, a 22% increase over the 2026 space count. The City also has an arrangement with Scott Airport Parking LLC for the operation of a 2,100-space parking lot and pet hotel on Airport property (with shuttle bus service to and from the passenger terminal). That arrangement requires the operator to pay percentage rent of up to 10% of parking revenues and the greater of a Minimum Annual Guarantee (MAG) or up to 10% of pet hotel revenues.

In FY 2025, parking revenues totaled \$79.4 million, \$8.21 per originating passenger. Included are privilege fees paid by off-Airport parking operators and charges for parking spaces provided by the City for Airport and airline employees. Parking revenues were forecast to increase with originating passenger numbers assuming planned increases in the rate for Economy Lot parking from \$12 per day to \$14 per day at April 2026 (mid-FY 2026) then to \$16 per day at the beginning of FY 2027. The City expects to set the rate for the Yellow Garage (scheduled to open in November 2026) at \$25 or more per day.

An across-the-board increase in parking rates was then assumed at the beginning of FY 2030. The combined effect of the planned and assumed rate increases is to increase parking revenues per originating passenger from \$8.21 in FY 2025 to \$9.94 in FY 2030. It was assumed that parking facilities will continue to be operated under management fee agreements with financial terms substantially the same as the current agreement.

Rental Cars. Rental car revenues shown in Exhibit E are derived from concession privilege fees under the terms of concession agreements that became effective at the opening of the consolidated rental car facility in 2015 and extend through September 2026 with two additional five-year renewals at the City's option. The City is in discussions with the rental companies on the terms of a new concession agreement.

Under the concession agreements, the rental car companies pay privilege fees of 10% of their gross receipts against MAGs. The rental car companies also pay ground rentals for their storage and maintenance facilities (shown in Exhibit E under building and ground rentals). As shown in Table 12, 11 brands of rental car companies operate on Airport.

Table 12
RENTAL CAR GROSS RECEIPTS
Austin-Bergstrom International Airport
Fiscal Year ended September 30, 2025

Group	Receipts	Share
Alamo-National (a)	\$ 44,903,213	
Hertz (b)	44,664,533	
Avis (c)	33,634,646	
Enterprise (a)	29,920,713	
Budget (c)	21,482,647	
Fox	12,383,120	
Thrifty (b)	8,589,003	
Dollar (b)	4,638,218	
Easirent	1,772,265	
Payless (c)	1,408,845	
Go Rentals	<u>595,833</u>	
Total	\$ 203,993,037	
Enterprise Holdings	\$ 74,823,927	36.7%
Hertz Global Holdings	57,891,755	28.4
Avis Budget Group	56,526,138	27.7
Other	<u>14,751,218</u>	<u>7.2</u>
Total	\$ 203,993,037	100.0%

(a) Enterprise Holdings

(b) Hertz Global Holdings

(c) Avis Budget Group

Source: City of Austin, Austin Aviation records.

In FY 2025, rental car privilege fees totaled \$20.7 million, \$2.17 per originating passenger. Rental car revenues were forecast with inflation and numbers of originating passengers.

On behalf of the City, each on-Airport rental car company collects a customer facility charge (CFC) of \$6.75 per transaction-day (rate in effect since January 2021). As discussed earlier, the Rental Car Special Facility Bonds issued to fund construction of the consolidated rental car facility are secured by and payable from CFC revenues. Under the Revenue Bond Ordinances, CFC revenues are not included in Gross Revenues and are not shown in Exhibit E.

TNC Trip Fees. Transportation Network Companies (TNCs) have operated at the Airport since 2017. Uber accounts for 74% of trips and Lyft for 26%. The City levies a fee of \$2.50 on both pick-ups and drop-offs (fee rate in effect since April 2018). In FY 2025, the City received \$10.2 million in TNC trip fees, \$1.07 per originating passenger. TNC revenues were forecast with originating passengers assuming a planned increase in the trip fee rate to \$5.00 effective mid-FY 2026 and no further increase thereafter during the forecast period.

Other Ground Transportation. The City collects commercial ground transportation fees from the operators of taxicabs, limousines, shuttle buses and vans. In FY 2025, such fees totaled \$0.9 million, \$0.12 per originating passenger, and were forecast to increase with inflation and originating passengers.

Terminal Concessions

In FY 2025, terminal concessions and services in the terminals accounted for \$36.2 million, 10% of Airport Operating Revenues. The City has ten active terminal concession agreements, most with 10-year terms expiring in FY 2032 through FY 2034. The concession agreements provide for the payment of rent and for payment of concession fees equal to the greater of (1) the minimum annual guaranteed (MAG) concession fee (generally, 85% of Concession Fees due for the immediately preceding full Contract Year or (2) specified percentages of annual gross receipts (net of taxes and other items) from sales of different categories of products. The City receives concession fees averaging \$16.7% of gross receipts for food, beverage, and retail concessions.

It was assumed that terminal concession revenues will generally increase with price inflation and numbers of enplaned passengers, with allowances for increased sales per passenger in FY 2031 when additional concession space opens at Concourse B.

Food and Beverage. Thirty-eight food and beverage outlets encompassing approximately 41,100 square feet are operated in the passenger terminal. In FY 2025, food and beverage revenues totaled \$20.1 million, \$1.88 per enplaned passenger.

Retail. Sixteen news, gift, and other retail merchandise concession outlets encompassing approximately 16,200 square feet are operated in the terminal. In FY 2025, retail revenues totaled \$6.8 million, \$0.64 per enplaned passenger.

Advertising. Advertising in the terminal is managed by Clear Channel Airports under an agreement that provides for concession fees calculated as a percentage of gross revenues against a MAG. In FY 2025, the City received \$6.7 million, \$0.62 per enplaned passenger, in advertising revenues.

Passenger Services. Other passenger convenience services and concessions at the passenger terminal from which the City derives revenues include wireless, ATM, luggage carts, currency exchange, massage, shoeshine, and vending machines. In FY 2025, the City received \$2.6 million in such revenues, \$0.24 per enplaned passenger.

Other Nonairline Revenues

In FY 2025, revenues from various other nonairline sources totaled \$24.2 million, 7% of Airport Operating Revenues.

Building and Ground Rentals. The City derives revenues from Airport property located outside the passenger terminal complex. Such revenues include rents from building and ground leases with the fixed base operators and various other aeronautical and nonaeronautical tenants, including the City of Austin's Employment Center, ABIA Retail, and Scott Parking. Also included are rentals for space in the passenger terminal paid by the CBP, TSA, and other nonairline tenants.

In FY 2025, revenues from building and ground rentals totaled \$7.9 million and were forecast assuming that the provisions of existing leases or other business arrangements (with payments generally increasing with inflation) will continue through the forecast period.

Fuel Flowage Fees. General and business aviation at the Airport is served by three fixed base operators (FBOs), Atlantic Aviation, Million Air, and Signature Aviation. The FBOs collect fuel flowage fees on behalf of the City. In FY 2025, such fees totaled \$1.4 million and were forecast to increase with inflation. Ground and facility rentals paid by the FBOs are included in Exhibit E with other building and ground rentals.

Fuel Facility Fees. In FY 2025, fuel facility fees (calculated to meet capital recovery requirements of the fuel storage facility) were \$1.2 million and were forecast to increase with inflation. These facility payments from the airlines are not included in the calculation of airline payments per enplaned passenger.

Cargo Apron and Facility Fees. In FY 2025, aircraft parking fees paid to the City for the use of the apron at the Cargo Port were \$2.7 million and were forecast to increase with inflation.

Hotel Fees. A Hilton hotel at the entrance to the Airport provides 260 rooms, restaurants, and meeting facilities. Revenues paid to the City are calculated as a percentage of gross hotel receipts. An adjacent Hyatt Place hotel provides 140 rooms. Revenue to the City is derived through ground rent and a percentage operating income. In FY 2025, hotel fees totaled \$1.0 million and were forecast to increase with inflation.

In-Flight Catering Fees. In-flight catering services to the airlines are provided by Sky Chefs under a concession agreement that provides for fees to the City calculated as 10% of airline catering sales. FY 2025, fees from such services were \$1.2 million and were forecast to increase with inflation and enplaned passengers.

Shared Tenant Service Fees. In FY 2025, fees paid by airlines and others for telecommunications and other shared tenant services were \$0.4 million and were forecast to increase with inflation.

Rental Car Facility Contributions. The City receives revenues from the rental car facility trust as reimbursements of foregone parking revenues and operating expenses associated with the construction and operation of the consolidated rental car facility. In FY 2025, such revenues were \$1.0 million. The City anticipates receiving these reimbursements until the Rental Car Special Facilities Bonds mature in 2042.

Interest Income

Interest income shown in Exhibit E represents investment earnings on balances in the Revenue Fund. In FY 2025, such earnings totaled \$3.6 million and are forecast at \$3.0 million through the forecast period. Interest income on balances in the Debt Service Reserve Fund are retained in that fund and are not included.

APPLICATION OF REVENUES

Exhibit G presents the application of Gross Revenues and Other Available Funds credited to the Revenue Fund in the amounts and order of priority established by the Revenue Bond Ordinances:

- **Operation and Maintenance Expenses.** Pay all reasonable and necessary expenses of operating, maintaining, and repairing the Airport System. (Operation and Maintenance Expenses are forecast as shown in Exhibit D.)
- **Debt Service Fund.** Pay the Debt Service Requirements of Revenue Bonds and any related Credit Agreement Obligations. (Debt Service Requirements are forecast as shown in Exhibit C, net of amounts paid from PFC revenues as shown in Exhibit F.)
- **Administrative Expense Fund.** Pay fees, expenses, and other amounts payable as Administrative Expenses associated with Revenue Bonds and related Credit Agreement Obligations.
- **Debt Service Reserve Fund.** Transfer any amounts to maintain a balance equal to the Debt Service Reserve Fund Requirement. (The increase in such requirement is forecast to be met from the proceeds of the proposed 2026AB Bonds and planned Future Bonds, and no transfers are forecast to be required from the Revenue Fund.)
- **Subordinate Obligations.** Pay any Debt Service or other amounts due on Subordinate Obligations. (No such payments are forecast.)
- **General Obligation Airport Bonds.** Pay Debt Service on City of Austin General Obligation Airport Bonds. (The City has no outstanding General Obligation Airport Bonds payable from Airport revenues and does not intend to issue any additional General Obligation Airport Bonds.)
- **Operation and Maintenance Reserve Fund.** Transfer any amounts required to maintain a balance at least equal to two months budgeted Operation and Maintenance Expenses. (Amounts are forecast to increase with Operation and Maintenance Expenses.)
- **Renewal and Replacement Fund.** Transfer any amounts required to maintain the Renewal and Replacement Fund Requirement, currently established at \$5 million. (No such transfers are forecast to be required.)

- **Capital Fund.** Amounts remaining after all other funding requirements of the Revenue Bond Ordinances have been met are transferred to the Capital Fund. Forecast amounts are shown in Exhibit G.

Amounts credited to the Capital Fund may be used at the City's discretion to pay the costs of renewal, replacement, or other capital expenditures or for any other lawful purpose.

Transfers from the Capital Fund to the Major Maintenance Account established under the Airline Agreement are be used to fund capital expenditures in the Airfield Area, Apron Area, and Terminal Area cost centers (and in Indirect cost centers allocable to those three airline cost centers) as provided for in the Airline Agreement.

Amounts designated at the City's discretion as Other Available Funds are transferred from the Capital Fund to the Revenue Fund. (Amounts equal to 25% of the Debt Service Requirements of Revenue Bonds are forecast to be transferred in each Fiscal Year as Other Available Funds to contribute to meeting the debt service coverage requirement of the Rate Covenant.)

APPLICATION OF PFC REVENUES

All PFC revenues are deposited by the City into the PFC Fund to be used for FAA-approved PFC-eligible projects, either to pay project costs directly or to pay debt service on Revenue Bonds. Under the Revenue Bond Ordinances, PFC revenues are not a part of Gross Revenues but will be set aside during each Fiscal Year for the payment of PFC-eligible debt service in the following Fiscal Year (unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFC revenues will not reduce debt service coverage during the following Fiscal Year to less than 125%). Revenue Bond debt service paid from such set-aside PFC revenues is deducted in the calculation of Debt Service Requirements and debt service coverage for such following Fiscal Year. As shown in Exhibit F, the balance in the PFC Fund at the end of each Fiscal Year is forecast to exceed the amount to be set aside and used to pay debt service in the following Fiscal Year. Such excess balance would, subject to FAA approval, be available for the payment of the costs of PFC-eligible projects.

DEBT SERVICE COVERAGE

Exhibit G shows the calculation of debt service coverage. As required by the Rate Covenant, Net Revenues (Gross Revenues less Operation and Maintenance Expenses), plus Other Available Funds are forecast to be sufficient to pay at least 125% of the Debt Service Requirements of all Revenue Bonds (which includes the currently outstanding Revenue Bonds, the proposed 2026AB Bonds, and the planned Future Bonds), 100% of Administrative Expenses, and all other amounts required under the Revenue Bond Ordinances in each Fiscal Year of the forecast period.

BASE CASE FINANCIAL FORECASTS

Exhibit H-1 summarizes the forecast financial results as presented in Exhibits A-1 through G and discussed in the preceding sections for the base case. Revenues were forecast using the base case forecast of enplaned passengers and aircraft landed weight presented in Exhibit P and discussed in the earlier section "Forecast Assumptions".

STRESS TEST FINANCIAL PROJECTIONS

Exhibit H-2 summarizes projected financial results under the stress test passenger projection discussed in the earlier section "Stress Test Passenger Projection".

For the stress test financial projections, the 2026-2030 Project shown in Exhibits A-1 and A-2 was assumed to be implemented to the same schedule assumed for the base forecast, notwithstanding the reduced passenger traffic, and to be financed with the same sources of Bond proceeds and other funds.

The assumptions underlying the stress test financial projections are the same as those for the base financial forecasts, except (1) revenues related to passenger numbers, such as PFC Revenues, terminal concession revenues, parking revenues, and rental car revenues, are projected to be lower; and (2) terminal rental revenues are projected to be higher mainly because reduced nonairline revenues will require increased supplemental airline terminal rentals to ensure the minimum 140% debt service coverage required under the Airline Agreement is met. Operating Expenses are assumed to be the same for the base forecasts and stress test projections.

Under the stress test, Revenue Bond debt service coverage ratios are reduced but still exceed the 125% requirement of the Rate Covenant. PFC Revenues and balances in the PFC Fund are reduced, and required airline payments per passenger are increased, relative to those for the base forecast.

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Exhibit A-1

2026-2030 PROJECT CASH FLOWS

Austin-Bergstrom International Airport
For Fiscal Years ending September 30
(dollars in thousands)

	Project Costs	Prior	2026	2027	2028	2029	2030	2031
BY PROJECT								
Airport Expansion and Development Program								
Concourse A Renovation	\$ 283,813	\$ 1,897	\$ 3,605	\$ 15,085	\$ 40,579	\$ 74,838	\$ 93,858	\$ 53,951
Concourse B and Tunnel	2,141,199	74,753	61,874	111,533	266,949	456,322	585,836	583,933
Arrivals and Departures Hall	1,285,618	29,455	15,623	68,862	184,099	334,852	415,533	237,194
Integrated Baggage Handling System	356,942	1,927	9,261	59,106	142,959	138,592	5,098	-
Landside, Parking, and Roadways	442,837	112,929	177,481	44,933	-	16,774	80,950	9,770
Utilities	638,286	19,905	38,881	274,116	68,308	237,076	-	-
Airfield	351,306	35,751	173,734	116,149	-	251	1,571	23,850
Total	\$ 5,500,000	\$ 276,615	\$ 480,458	\$ 689,785	\$ 702,893	\$ 1,258,705	\$ 1,182,846	\$ 908,698
BY COST CENTER								
Airfield Area	\$ 338,540	\$ 36,605	\$ 177,226	\$ 123,002	\$ 1,708	\$ -	\$ -	\$ -
Apron Area	315,432	36,426	36,705	18,711	29,637	47,637	62,181	84,135
Terminal Area	4,005,246	80,920	85,996	456,813	613,583	1,099,061	921,538	747,334
Landside Area	840,782	122,664	180,531	91,260	57,966	112,006	199,127	77,228
Total	\$ 5,500,000	\$ 276,615	\$ 480,458	\$ 689,785	\$ 702,893	\$ 1,258,705	\$ 1,182,846	\$ 908,698

Source: City of Austin, Austin Aviation, as compiled by Frasca & Associates, LLC, March 1, 2026.

Exhibit A-2

2026-2030 PROJECT FUNDING SOURCES

Austin-Bergstrom International Airport
(dollars in thousands)

	Project	AIP	PFC	Capital	Prior	Proposed	Planned Future Bonds				Subtotal	Total
	Costs	Grants	Revenues	Fund	Bonds	2026AB	2027	2028	2029	2030	Future	2026AB and
						Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Future Bonds
Airport Expansion and Development Program												
Concourse A Renovation	\$ 283,813	\$ -	\$ -	\$ -	\$ -	\$ 20,587	\$ 40,579	\$ 74,838	\$ 93,858	\$ 53,951	\$ 263,226	\$ 283,813
Concourse B and Tunnel	2,141,199	87,882	142,390	-	-	160,278	196,476	384,405	585,836	583,933	1,750,649	1,910,927
Arrivals and Departures Hall	1,285,618	-	-	129,794	-	113,940	132,650	256,507	415,533	237,194	1,041,883	1,155,823
Integrated Baggage Handling System	356,942	-	-	-	-	70,294	142,959	138,592	5,098	-	286,648	356,942
Landside, Parking, and Roadways	442,837	-	-	302,859	2,000	137,978	-	-	-	-	-	137,978
Utilities	638,286	19,884	-	129,582	-	313,018	68,308	107,494	-	-	175,802	488,820
Airfield	351,306	107,969	-	-	30,990	186,674	-	251	1,571	23,850	25,673	212,347
Total	\$ 5,500,000	\$ 215,735	\$ 142,390	\$ 562,235	\$ 32,990	\$ 1,002,769	\$ 580,971	\$ 962,087	\$ 1,101,897	\$ 898,927	\$ 3,543,881	\$ 4,546,651

Source: City of Austin, Austin Aviation, as compiled by Frasca & Associates, LLC, March 1, 2026.

Exhibit B

SOURCES AND USES OF REVENUE BOND FUNDS

Austin-Bergstrom International Airport

(dollars in thousands)

		Planned Future Bonds					
	Proposed 2026AB Bonds	2027 Bonds	2028 Bonds	2029 Bonds	2030 Bonds	Total Future	
						Bonds	Total Bonds
Sources of Bond Funds							
Bond Proceeds:							
Principal Amount of Bonds	\$ 1,202,890	\$ 758,460	\$ 1,167,960	\$ 1,264,315	\$ 981,285	\$ 4,172,020	\$ 5,374,910
Original Issue Premium (discount)	46,256	-	-	-	-	-	46,256
Total Sources	\$ 1,249,146	\$ 758,460	\$ 1,167,960	\$ 1,264,315	\$ 981,285	\$ 4,172,020	\$ 5,421,166
Uses of Bond Funds							
Project Fund (a)	\$ 1,002,769	\$ 580,971	\$ 962,087	\$ 1,101,897	\$ 898,927	\$ 3,543,881	\$ 4,546,651
Other Fund Deposits							
Capitalized Interest Fund	167,833	114,958	110,688	60,431	3,168	289,244	457,077
Debt Service Reserve Fund	68,916	56,461	85,853	91,875	71,335	305,525	374,441
Delivery Date Expenses							
Cost of Issuance	9,627	6,071	9,333	10,112	7,855	33,370	42,997
Total Uses	\$ 1,249,146	\$ 758,460	\$ 1,167,960	\$ 1,264,315	\$ 981,285	\$ 4,172,020	\$ 5,421,166
Key Financing Assumptions							
All in True Interest Cost	4.89%	6.00%	6.00%	6.00%	6.00%		
Issuance Date	2026	2027	2028	2029	2030		
Term (years)	30	30	30	30	30		

Source: Frasca & Associates, LLC, March 1, 2026.

(a) Deposit to the Project Fund for the 2026AB Bonds includes costs that were financed with proceeds of Subordinate Notes that are to be refunded and redeemed in whole with a portion of the proceeds of the 2026AB Bonds and other available funds of the City.

Exhibit C

DEBT SERVICE REQUIREMENTS
Austin-Bergstrom International Airport
For Fiscal Years ending September 30
(dollars in thousands)

	Historical				Forecast							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt Service Requirements												
Outstanding Revenue Bonds (a)												
2013 Bonds	\$ 5,399	\$ 5,395	\$ 5,401	\$ 5,399	\$ 5,397	\$ 5,397	\$ 6,734	\$ -	\$ -	\$ -	\$ -	\$ -
2014 Bonds	12,225	12,225	12,225	12,225	1,528	-	-	-	-	-	-	-
2017A Bonds	9,265	9,265	9,265	9,265	13,158	14,419	14,419	14,417	14,415	14,412	14,410	14,409
2017B Bonds	6,483	6,483	6,483	6,483	9,206	10,089	10,091	10,087	10,085	10,087	10,085	10,085
2019 Refunding Bonds	27,373	27,230	27,071	26,911	6,596	-	-	-	-	-	-	-
2019A Bonds	849	849	849	849	849	849	849	849	849	849	849	849
2019B Bonds	15,658	16,841	16,846	16,845	16,852	16,859	16,862	16,865	16,871	16,881	16,886	16,895
2022 Bonds	43	2,600	12,016	26,035	27,737	27,747	27,752	27,755	27,765	27,772	27,787	27,797
2025 Refunding Bonds	-	-	-	-	15,053	18,920	18,918	18,917	18,911	18,910	18,905	18,898
Subtotal Outstanding Revenue Bonds	\$ 77,295	\$ 80,887	\$ 90,156	\$ 104,012	\$ 96,375	\$ 94,281	\$ 95,625	\$ 88,889	\$ 88,895	\$ 88,911	\$ 88,921	\$ 88,933
Proposed 2026AB Bonds (a)	\$ -	\$ -	\$ -	\$ -	\$ 253	\$ 11,016	\$ 37,395	\$ 56,142	\$ 68,410	\$ 88,837	\$ 89,777	\$ 89,157
Future Bonds (a)												
2027 Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,471	\$ 5,345	\$ 21,529	\$ 54,031	\$ 56,331	\$ 56,325
2028 Bonds	-	-	-	-	-	-	-	7,249	30,795	81,673	85,681	85,693
2029 Bonds	-	-	-	-	-	-	-	-	23,714	86,027	91,615	91,709
2030 Bonds	-	-	-	-	-	-	-	-	-	58,999	69,631	71,087
Subtotal Future Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,471	\$ 12,594	\$ 76,038	\$ 280,730	\$ 303,257	\$ 304,813
Total Debt Service Requirements	\$ 77,295	\$ 80,887	\$ 90,156	\$ 104,012	\$ 96,628	\$ 105,297	\$ 134,491	\$ 157,625	\$ 233,343	\$ 458,477	\$ 481,955	\$ 482,903
PFC Revenues Applied to:												
Outstanding Revenue Bonds	(24,279)	(24,208)	(24,131)	(24,052)	(18,327)	(16,857)	(16,858)	(16,854)	(16,849)	(16,851)	(16,847)	(16,844)
2026AB and Future Bonds	-	-	-	-	-	-	-	-	-	(23,705)	(43,182)	(46,205)
Total Debt Service Less PFC Revenues	\$ 53,017	\$ 56,679	\$ 66,025	\$ 79,959	\$ 78,301	\$ 88,439	\$ 117,632	\$ 140,771	\$ 216,494	\$ 417,922	\$ 421,926	\$ 419,854
LOI Grants to Pay 2026AB Bonds	-	-	-	-	-	-	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Net Debt Service Requirements	\$ 53,017	\$ 56,679	\$ 66,025	\$ 79,959	\$ 78,301	\$ 88,439	\$ 105,632	\$ 128,771	\$ 204,494	\$ 405,922	\$ 409,926	\$ 407,854
Allocation by Cost Center												
Airfield Area	\$ 7,479	\$ 7,974	\$ 9,265	\$ 11,194	\$ 8,929	\$ 12,738	\$ 17,028	\$ 19,545	\$ 18,979	\$ 18,368	\$ 17,761	\$ 17,147
Apron Area	1,686	1,900	2,387	3,111	3,110	3,084	3,343	3,736	9,128	25,774	28,194	29,777
Terminal Area	20,448	22,951	30,099	40,745	40,644	40,647	48,663	70,334	137,148	308,276	308,834	305,794
Landside Area	23,404	23,854	24,275	24,908	25,618	31,971	36,599	35,155	39,239	53,504	55,137	55,135
Net Debt Service Requirements	\$ 53,017	\$ 56,679	\$ 66,025	\$ 79,959	\$ 78,301	\$ 88,439	\$ 105,632	\$ 128,771	\$ 204,494	\$ 405,922	\$ 409,926	\$ 407,854

Source: Frasca & Associates, LLC, March 1, 2026. Amounts are accrued debt service estimates as used by Austin Aviation to calculate airline rentals, fees, and charges.

(a) Certain debt service amounts are net of payments made or to be made from capitalized interest.

Exhibit D

OPERATION AND MAINTENANCE EXPENSES

Austin-Bergstrom International Airport

For Fiscal Years ending September 30

(dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

	Historical				Budget	Forecast							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Expenses by Type													
Salaries and Benefits	\$ 52,211	\$ 61,370	\$ 74,784	\$ 87,821	\$ 97,135	\$ 105,954	\$ 110,503	\$ 115,465	\$ 123,801	\$ 159,830	\$ 171,141	\$ 180,300	
Contractual	52,413	66,115	90,487	99,930	104,817	117,826	123,374	128,644	146,950	189,715	203,141	214,012	
Commodities	8,420	6,380	8,342	7,280	7,227	8,612	9,043	9,405	10,910	14,084	15,081	15,888	
Capital	658	402	298	216	125	150	158	164	190	245	263	277	
Total Expenses	\$ 113,702	\$ 134,267	\$ 173,910	\$ 195,247	\$ 209,304	\$ 232,543	\$ 243,077	\$ 253,678	\$ 281,851	\$ 363,875	\$ 389,625	\$ 410,477	
Expenses by Cost Center													
Airfield Area	\$ 30,138	\$ 32,641	\$ 37,082	\$ 45,879	\$ 50,219	\$ 55,617	\$ 58,213	\$ 60,844	\$ 66,076	\$ 72,318	\$ 78,129	\$ 82,824	
Apron Area	10,046	10,880	12,361	10,410	11,958	13,856	14,464	15,071	16,749	23,342	24,779	25,930	
Terminal Area	60,405	73,539	91,057	103,162	111,792	126,929	132,814	138,819	156,675	222,020	237,085	249,319	
Landside Area	13,112	17,207	33,410	35,796	35,335	36,140	37,587	38,945	42,351	46,196	49,631	52,404	
Total Expenses	\$ 113,702	\$ 134,267	\$ 173,910	\$ 195,247	\$ 209,304	\$ 232,543	\$ 243,077	\$ 253,678	\$ 281,851	\$ 363,875	\$ 389,625	\$ 410,477	
Annual change		18.1%	29.5%	12.3%	7.2%	11.1%	4.5%	4.4%	11.1%	29.1%	7.1%	5.4%	

Source for historical data: City of Austin, Austin Aviation.

Exhibit E
GROSS REVENUES
Austin-Bergstrom International Airport
For Fiscal Years ending September 30
(dollars and passengers in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

Base Passenger Forecast	Historical				Forecast							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Airline Revenues												
Landing Fees	\$ 35,900	\$ 43,806	53,122	\$ 63,296	\$ 77,711	\$ 88,201	\$ 95,573	\$ 101,643	\$ 107,133	\$ 112,495	\$ 117,835	\$ 121,949
Terminal Rentals	49,933	59,221	78,439	91,800	130,521	137,216	155,685	181,392	260,032	483,899	481,643	478,226
Other Rentals and Fees	14,607	16,066	20,732	20,572	33,465	36,215	36,823	38,000	48,674	80,312	85,359	89,661
Subtotal Airline Revenues	\$ 100,440	\$ 119,093	\$ 152,293	\$ 175,668	\$ 241,697	\$ 261,633	\$ 288,081	\$ 321,035	\$ 415,840	\$ 676,706	\$ 684,838	\$ 689,835
Airline Payments per Enplaned Passenger	\$ 9.91	\$ 10.87	\$ 13.84	\$ 16.41	\$ 21.39	\$ 22.17	\$ 23.42	\$ 25.08	\$ 31.27	\$ 46.03	\$ 43.07	\$ 41.31
Annual change	-31.7%	9.6%	27.3%	18.6%	30.3%	3.7%	5.6%	7.1%	24.7%	47.2%	-6.4%	-4.1%
Nonairline Revenues												
Parking and Ground Transportation												
Parking	\$ 58,743	\$ 69,561	\$ 76,161	\$ 79,365	\$ 87,329	\$ 92,841	\$ 96,344	\$ 99,848	\$ 118,854	\$ 122,883	\$ 126,912	\$ 130,941
Rental Cars	19,901	20,850	21,620	20,707	22,564	23,918	25,317	26,762	28,255	29,797	31,389	33,034
TNC Trip Fees	7,107	8,619	9,557	10,222	15,615	19,960	20,713	21,466	22,219	22,973	23,726	24,479
Other Ground Transportation	1,281	1,229	1,120	913	995	1,055	1,117	1,181	1,246	1,314	1,385	1,457
Subtotal	\$ 87,032	\$ 100,258	\$ 108,457	\$ 111,208	\$ 126,503	\$ 137,773	\$ 143,491	\$ 149,256	\$ 170,575	\$ 176,967	\$ 183,412	\$ 189,911
Revenues per enplaned passenger	\$ 8.59	\$ 9.15	\$ 9.85	\$ 10.39	\$ 11.19	\$ 11.68	\$ 11.67	\$ 11.66	\$ 12.83	\$ 12.04	\$ 11.54	\$ 11.37
Terminal Concessions												
Food and Beverage	\$ 15,647	\$ 18,682	\$ 19,976	\$ 20,101	\$ 21,644	\$ 23,054	\$ 24,512	\$ 26,018	\$ 27,575	\$ 34,196	\$ 37,727	\$ 40,418
Retail	6,739	7,089	6,951	6,826	7,350	7,829	8,324	8,835	9,364	11,612	12,812	13,725
Advertising	3,390	4,770	5,545	6,674	7,186	7,654	8,138	8,638	9,155	11,354	12,526	13,419
Passenger Services	1,486	2,046	2,415	2,562	2,758	2,938	3,124	3,316	3,514	3,962	4,371	4,683
Subtotal	\$ 27,263	\$ 32,586	\$ 34,887	\$ 36,163	\$ 38,939	\$ 41,475	\$ 44,097	\$ 46,808	\$ 49,609	\$ 61,124	\$ 67,436	\$ 72,245
Revenues per enplaned passenger	\$ 2.69	\$ 2.97	\$ 3.17	\$ 3.38	\$ 3.45	\$ 3.51	\$ 3.59	\$ 3.66	\$ 3.73	\$ 4.16	\$ 4.24	\$ 4.33
Other												
Building and Ground Rentals	\$ 7,157	\$ 7,010	\$ 8,453	\$ 7,943	\$ 8,102	\$ 8,264	\$ 8,429	\$ 8,598	\$ 8,770	\$ 8,945	\$ 9,124	\$ 9,307
Fueling Fees	2,428	2,353	2,421	2,601	2,801	2,983	3,172	3,367	3,568	4,023	4,438	4,755
Other	9,425	11,394	11,437	13,626	13,898	14,176	14,460	14,749	15,044	15,345	15,652	15,965
Subtotal	\$ 19,010	\$ 20,758	\$ 22,312	\$ 24,170	\$ 24,801	\$ 25,424	\$ 26,061	\$ 26,714	\$ 27,382	\$ 28,313	\$ 29,214	\$ 30,027
Subtotal Nonairline Revenues (a)	\$ 133,304	\$ 153,602	\$ 165,656	\$ 171,541	\$ 190,244	\$ 204,672	\$ 213,649	\$ 222,778	\$ 247,566	\$ 266,404	\$ 280,062	\$ 292,183
Annual change	78.4%	15.2%	7.8%	3.6%	10.9%	7.6%	4.4%	4.3%	11.1%	7.6%	5.1%	4.3%
Operating Revenues	\$ 233,744	\$ 272,695	\$ 317,949	\$ 347,209	\$ 431,941	\$ 466,305	\$ 501,730	\$ 543,813	\$ 663,405	\$ 943,110	\$ 964,900	\$ 982,018
Interest Income	664	3,961	4,062	3,610	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Gross Revenues	\$ 234,408	\$ 276,656	\$ 322,011	\$ 350,820	\$ 434,941	\$ 469,305	\$ 504,730	\$ 546,813	\$ 666,405	\$ 946,110	\$ 967,900	\$ 985,018
Annual change	54.8%	18.0%	16.4%	8.9%	24.0%	7.9%	7.5%	8.3%	21.9%	42.0%	2.3%	1.8%
Accrual-to-cash adjustment (b)	(2,655)	1,856	2,733	2,718								
Cash basis Revenue	231,753	278,512	324,744	353,538								

Source for historical data: City of Austin, Austin Aviation.

(a) Excludes interest income and accrual-to-cash adjustment.

(b) Adjustment required to reconcile historical amounts from Austin Aviation records (compiled using an accrual basis of accounting) with amounts from the City's accounting records (compiled on a cash basis).

Exhibit F

SOURCES AND USES OF PFC REVENUES

Austin-Bergstrom International Airport

(for the fiscal years ending September 30; in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

Base Passenger Forecast	Historical				Forecast							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PFC Revenues												
Enplaned passengers	10,134	10,961	11,007	10,704	11,300	11,800	12,300	12,800	13,300	14,700	15,900	16,700
Percent paying PFC	91.5%	87.8%	84.1%	87.1%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Net PFC per Passenger (a)	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39
PFC collections	\$ 40,725	\$ 42,263	\$ 40,653	\$ 40,940	\$ 44,646	\$ 46,622	\$ 48,597	\$ 50,573	\$ 52,548	\$ 58,080	\$ 62,821	\$ 65,982
Investment earnings (b)	411	2,964	4,466	4,558	2,155	2,582	1,100	525	313	853	1,129	1,187
Total PFC Revenues	\$ 41,136	\$ 45,228	\$ 45,120	\$ 45,498	\$ 46,801	\$ 49,204	\$ 49,697	\$ 51,098	\$ 52,861	\$ 58,933	\$ 63,950	\$ 67,169
Uses of PFC Revenues												
Debt Service on Outstanding Bonds	\$ 24,279	\$ 24,208	\$ 24,131	\$ 24,052	\$ 18,327	\$ 16,857	\$ 16,858	\$ 16,854	\$ 16,849	\$ 16,851	\$ 16,847	\$ 16,844
Debt Service on 2026AB and Future Bonds	-	-	-	-	-	-	-	-	-	23,705	43,182	46,205
Pay-As-You-Go Expenditures	-	-	-	-	-	131,153	71,153	48,390	-	-	-	-
Total Uses of PFC Revenues	\$ 24,279	\$ 24,208	\$ 24,131	\$ 24,052	\$ 18,327	\$ 148,010	\$ 88,011	\$ 65,244	\$ 16,849	\$ 40,555	\$ 60,029	\$ 63,049
PFC Revenues less Uses	\$ 16,857	\$ 21,019	\$ 20,989	\$ 21,446	\$ 28,474	\$ (98,807)	\$ (38,314)	\$ (14,146)	\$ 36,012	\$ 18,377	\$ 3,921	\$ 4,120
PFC Fund Balance	\$ 80,193	\$ 101,213	\$ 122,201	\$ 143,647	\$ 172,121	\$ 73,314	\$ 35,000	\$ 20,853	\$ 56,865	\$ 75,242	\$ 79,163	\$ 83,283
Required Set-Aside for Payment of PFC-Eligible Debt Service in Following Fiscal Year	\$ 24,208	\$ 24,131	\$ 24,052	\$ 18,327	\$ 16,857	\$ 16,858	\$ 16,854	\$ 16,849	\$ 40,555	\$ 60,029	\$ 63,049	\$ 64,937

Source for historical data: City of Austin, Austin Aviation.

(a) \$4.50 less airline collection fee of \$0.11 per passenger.

(b) Assuming forecast investment earnings rate of 1.5% per year.

Exhibit G

APPLICATION OF REVENUES AND DEBT SERVICE COVERAGE

Austin-Bergstrom International Airport

For Fiscal Years ending September 30

(dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

Base Passenger Forecast	Historical				Forecast							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Gross Revenues and Other Available Funds												
Airline Revenues	\$ 100,440	\$ 119,093	\$ 152,293	\$ 175,668	\$ 241,697	\$ 261,633	\$ 288,081	\$ 321,035	\$ 415,840	\$ 676,706	\$ 684,838	\$ 689,835
Nonairline Revenues	133,304	153,602	165,656	171,541	190,244	204,672	213,649	222,778	247,566	266,404	280,062	292,183
Interest Income	664	3,961	4,062	3,610	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Gross Revenues (a)	\$ 234,408	\$ 276,656	\$ 322,011	\$ 350,820	\$ 434,941	\$ 469,305	\$ 504,730	\$ 546,813	\$ 666,405	\$ 946,110	\$ 967,900	\$ 985,018
Other Available Funds (b)	13,254	14,170	16,506	19,990	19,575	22,110	26,408	32,193	51,123	101,480	102,482	101,964
Gross Revenues and Other Available Funds	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 491,415	\$ 531,138	\$ 579,006	\$ 717,529	\$ 1,047,590	\$ 1,070,381	\$ 1,086,981
Application of Gross Revenues and Other Available Funds												
Operation and Maintenance Expenses (c)	\$ 113,702	\$ 134,267	\$ 173,910	\$ 195,247	\$ 209,304	\$ 232,543	\$ 243,077	\$ 253,678	\$ 281,851	\$ 363,875	\$ 389,625	\$ 410,477
Revenue Bond Debt Service Requirements (d)	53,017	56,679	66,025	79,959	78,301	88,439	105,632	128,771	204,494	405,922	409,926	407,854
Administrative Expenses (e)	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-
Subordinate Obligations	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Airport Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Operation and Maintenance Reserve Fund	1,479	3,496	6,739	3,627	2,390	3,951	1,791	1,802	4,789	13,944	4,378	3,545
Renewal and Replacement Fund	-	-	-	-	-	-	-	-	-	-	-	-
Capital Fund (f)	79,464	96,383	91,843	91,976	164,521	166,482	180,637	194,755	226,395	263,849	266,452	265,105
Total Application	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 491,415	\$ 531,138	\$ 579,006	\$ 717,529	\$ 1,047,590	\$ 1,070,381	\$ 1,086,981
Calculation of Debt Service Coverage												
Gross Revenues (a)	\$ 234,408	\$ 276,656	\$ 322,011	\$ 350,820	\$ 434,941	\$ 469,305	\$ 504,730	\$ 546,813	\$ 666,405	\$ 946,110	\$ 967,900	\$ 985,018
Less: Operation and Maintenance Expenses (c)	(113,702)	(134,267)	(173,910)	(195,247)	(209,304)	(232,543)	(243,077)	(253,678)	(281,851)	(363,875)	(389,625)	(410,477)
Net Revenues	\$ 120,706	\$ 142,389	\$ 148,101	\$ 155,573	\$ 225,636	\$ 236,762	\$ 261,652	\$ 293,135	\$ 384,555	\$ 582,234	\$ 578,274	\$ 574,540
Plus: Other Available Funds (b)	13,254	14,170	16,506	19,990	19,575	22,110	26,408	32,193	51,123	101,480	102,482	101,964
Less: Administrative Expenses (e)	-	-	-	-	-	-	-	-	-	-	-	-
Accrual-to-cash adjustment (g)	(7,963)	(10,508)	4,084	(3,734)	-	-	-	-	-	-	-	-
Revenues for Debt Service Coverage	\$ 125,997	\$ 146,051	\$ 168,691	\$ 171,829	\$ 245,212	\$ 258,872	\$ 288,061	\$ 325,328	\$ 435,678	\$ 683,715	\$ 680,756	\$ 676,504
Revenue Bond Debt Service Requirements												
Accrued Debt Service Requirements (d)	\$ 53,017	\$ 56,679	\$ 66,025	\$ 79,959	\$ 78,301	\$ 88,439	\$ 105,632	\$ 128,771	\$ 204,494	\$ 405,922	\$ 409,926	\$ 407,854
Accrual-to-cash adjustment (g)	(3,330)	(2,489)	(5,305)	(5,269)	-	-	-	-	-	-	-	-
Revenue Bond Debt Service for Coverage	\$ 49,687	\$ 54,190	\$ 60,720	\$ 74,690	\$ 78,301	\$ 88,439	\$ 105,632	\$ 128,771	\$ 204,494	\$ 405,922	\$ 409,926	\$ 407,854
Debt Service Coverage	2.54	2.70	2.78	2.30	3.13	2.93	2.73	2.53	2.13	1.68	1.66	1.66

(a) See Exhibit E.

(b) Amounts, up to a maximum of 25% of Revenue Bond Debt Service Requirements, transferred from the Capital Fund as permitted under the Rate Covenant of the Revenue Bond Ordinances.

(c) See Exhibit D.

(d) See Exhibit C. Amounts are net of capitalized interest and PFC revenues and LOI grants used to pay debt service.

(e) Administrative Expenses primarily consist of paying agent and rebate analyst fees and are anticipated to be de minimis.

(f) Includes amounts transferred from the Capital Fund to the Major Maintenance Account for capital expenditures as permitted under the Airline Agreement.

(g) Adjustment required to reconcile historical amounts from Austin Aviation records (compiled using an accrual basis of accounting) with amounts from the City's accounting records (compiled on a cash basis).

Exhibit H-1

SUMMARY OF FINANCIAL RESULTS: BASE PASSENGER FORECAST

Austin-Bergstrom International Airport

For Fiscal Years ending September 30

(dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material.

Base Passenger Forecast	Historical				Forecast							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Gross Revenues and Other Available Funds												
Airline Revenues	\$ 100,440	\$ 119,093	\$ 152,293	\$ 175,668	\$ 241,697	\$ 261,633	\$ 288,081	\$ 321,035	\$ 415,840	\$ 676,706	\$ 684,838	\$ 689,835
Parking and Ground Transportation Revenues	87,032	100,258	108,457	111,208	126,503	137,773	143,491	149,256	170,575	176,967	183,412	189,911
Terminal Concession Revenues	27,263	32,586	34,887	36,163	38,939	41,475	44,097	46,808	49,609	61,124	67,436	72,245
Other Operating Revenues	19,010	20,758	22,312	24,170	24,801	25,424	26,061	26,714	27,382	28,313	29,214	30,027
Interest Income	664	3,961	4,062	3,610	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Gross Revenues	\$ 234,408	\$ 276,656	\$ 322,011	\$ 350,820	\$ 434,941	\$ 469,305	\$ 504,730	\$ 546,813	\$ 666,405	\$ 946,110	\$ 967,900	\$ 985,018
Other Available Funds	13,254	14,170	16,506	19,990	19,575	22,110	26,408	32,193	51,123	101,480	102,482	101,964
Gross Revenues and Other Available Funds	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 491,415	\$ 531,138	\$ 579,006	\$ 717,529	\$ 1,047,590	\$ 1,070,381	\$ 1,086,981
Enplaned Passengers	10,134	10,961	11,007	10,704	11,300	11,800	12,300	12,800	13,300	14,700	15,900	16,700
Airline Payments per Enplaned Passenger	\$ 9.91	\$ 10.87	\$ 13.84	\$ 16.41	\$ 21.39	\$ 22.17	\$ 23.42	\$ 25.08	\$ 31.27	\$ 46.03	\$ 43.07	\$ 41.31
Application of Revenues												
Operation and Maintenance Expenses	\$ 113,702	\$ 134,267	\$ 173,910	\$ 195,247	\$ 209,304	\$ 232,543	\$ 243,077	\$ 253,678	\$ 281,851	\$ 363,875	\$ 389,625	\$ 410,477
Revenue Bond Debt Service	53,017	56,679	66,025	79,959	78,301	88,439	105,632	128,771	204,494	405,922	409,926	407,854
Other Applications	1,479	3,496	6,739	3,627	2,390	3,951	1,791	1,802	4,789	13,944	4,378	3,545
Capital Fund	79,464	96,383	91,843	91,976	164,521	166,482	180,637	194,755	226,395	263,849	266,452	265,105
Total Application	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 491,415	\$ 531,138	\$ 579,006	\$ 717,529	\$ 1,047,590	\$ 1,070,381	\$ 1,086,981
Passenger Facility Charges												
PFC Revenues	\$ 41,136	\$ 45,228	\$ 45,120	\$ 45,498	\$ 46,801	\$ 49,204	\$ 49,697	\$ 51,098	\$ 52,861	\$ 58,933	\$ 63,950	\$ 67,169
Less: PFC Revenues Used to Pay Debt Service	(24,279)	(24,208)	(24,131)	(24,052)	(18,327)	(16,857)	(16,858)	(16,854)	(16,849)	(40,555)	(60,029)	(63,049)
Less: Pay-as-you-go Expenditures	-	-	-	-	-	(131,153)	(71,153)	(48,390)	-	-	-	-
Net PFC Deposit	\$ 16,857	\$ 21,019	\$ 20,989	\$ 21,446	\$ 28,474	\$ (98,807)	\$ (38,314)	\$ (14,146)	\$ 36,012	\$ 18,377	\$ 3,921	\$ 4,120
PFC Fund Balance	80,193	101,213	122,201	143,647	172,121	73,314	35,000	20,853	56,865	75,242	79,163	83,283
Gross Revenues and Other Available Funds	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 491,415	\$ 531,138	\$ 579,006	\$ 717,529	\$ 1,047,590	\$ 1,070,381	\$ 1,086,981
Less: Operation and Maintenance Expenses	(121,665)	(144,775)	(169,826)	(198,981)	(209,304)	(232,543)	(243,077)	(253,678)	(281,851)	(363,875)	(389,625)	(410,477)
Net Revenues for Debt Service Coverage	\$ 125,997	\$ 146,051	\$ 168,691	\$ 171,829	\$ 245,212	\$ 258,872	\$ 288,061	\$ 325,328	\$ 435,678	\$ 683,715	\$ 680,756	\$ 676,504
Revenue Bond Debt Service	\$ 49,687	\$ 54,190	\$ 60,720	\$ 74,690	\$ 78,301	\$ 88,439	\$ 105,632	\$ 128,771	\$ 204,494	\$ 405,922	\$ 409,926	\$ 407,854
Debt Service Coverage												
Debt service coverage	2.54	2.70	2.78	2.30	3.13	2.93	2.73	2.53	2.13	1.68	1.66	1.66
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Source: Preceding exhibits and accompanying text. Historical amounts include accrual-to-cash adjustments.

Exhibit H-2

SUMMARY OF FINANCIAL RESULTS: STRESS TEST PROJECTION

Austin-Bergstrom International Airport

For Fiscal Years ending September 30

(dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the projected and actual results, and those differences may be material.

Stress Test Projection	Historical				Projected							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Gross Revenues and Other Available Funds												
Airline Revenues	\$ 100,440	\$ 119,093	\$ 152,293	\$ 175,668	\$ 241,697	\$ 261,633	\$ 288,081	\$ 321,035	\$ 415,840	\$ 710,977	\$ 718,975	\$ 724,787
Parking and Ground Transportation Revenues	87,032	100,258	108,457	111,208	126,503	119,577	125,228	130,927	150,337	156,659	163,033	169,459
Terminal Concession Revenues	27,263	32,586	34,887	36,163	38,939	36,203	38,720	41,322	44,014	53,224	57,681	61,430
Other Operating Revenues	19,010	20,758	22,312	24,170	24,801	25,045	25,674	26,319	26,980	27,793	28,572	29,315
Interest Income	664	3,961	4,062	3,610	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Gross Revenues	\$ 234,408	\$ 276,656	\$ 322,011	\$ 350,820	\$ 434,941	\$ 445,457	\$ 480,703	\$ 522,604	\$ 640,170	\$ 951,653	\$ 971,261	\$ 987,991
Other Available Funds	13,254	14,170	16,506	19,990	19,575	22,110	26,408	32,193	51,123	103,274	104,652	104,323
Gross Revenues and Other Available Funds	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 467,567	\$ 507,111	\$ 554,796	\$ 691,294	\$ 1,054,926	\$ 1,075,913	\$ 1,092,314
Enplaned Passengers	10,134	10,961	11,007	10,704	11,300	10,300	10,800	11,300	11,800	12,800	13,600	14,200
Airline Payments per Enplaned Passenger	\$ 9.91	\$ 10.87	\$ 13.84	\$ 16.41	\$ 21.39	\$ 25.40	\$ 26.67	\$ 28.41	\$ 35.24	\$ 55.55	\$ 52.87	\$ 51.04
Application of Revenues												
Operation and Maintenance Expenses	\$ 113,702	\$ 134,267	\$ 173,910	\$ 195,247	\$ 209,304	\$ 232,543	\$ 243,077	\$ 253,678	\$ 281,851	\$ 360,030	\$ 381,549	\$ 400,551
Revenue Bond Debt Service	53,017	56,679	66,025	79,959	78,301	88,439	105,632	128,771	204,494	413,095	418,610	417,293
Other Applications	1,479	3,496	6,739	3,627	2,390	3,951	1,791	1,802	4,789	13,290	3,658	3,230
Capital Fund	79,464	96,383	91,843	91,976	164,521	142,634	156,610	170,545	200,160	268,512	272,096	271,240
Total Application	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 467,567	\$ 507,111	\$ 554,796	\$ 691,294	\$ 1,054,926	\$ 1,075,913	\$ 1,092,314
Passenger Facility Charges												
PFC Revenues	\$ 41,136	\$ 45,228	\$ 45,120	\$ 45,498	\$ 46,801	\$ 43,277	\$ 43,682	\$ 44,992	\$ 46,664	\$ 51,062	\$ 54,488	\$ 56,906
Less: PFC Revenues Used to Pay Debt Service	(24,279)	(24,208)	(24,131)	(24,052)	(18,327)	(16,857)	(16,858)	(16,854)	(16,849)	(33,382)	(51,345)	(53,611)
Less: Pay-as-you-go Expenditures	-	-	-	-	-	(131,153)	(71,153)	(48,390)	-	-	-	-
Net PFC Deposit	\$ 16,857	\$ 21,019	\$ 20,989	\$ 21,446	\$ 28,474	\$ (104,733)	\$ (44,330)	\$ (20,252)	\$ 29,815	\$ 17,680	\$ 3,143	\$ 3,295
PFC Fund Balance	80,193	101,213	122,201	143,647	172,121	67,387	23,058	2,806	32,620	50,300	53,443	56,738
Gross Revenues and Other Available Funds	\$ 247,662	\$ 290,826	\$ 338,517	\$ 370,810	\$ 454,516	\$ 467,567	\$ 507,111	\$ 554,796	\$ 691,294	\$ 1,054,926	\$ 1,075,913	\$ 1,092,314
Less: Operation and Maintenance Expenses	(121,665)	(144,775)	(169,826)	(198,981)	(209,304)	(232,543)	(243,077)	(253,678)	(281,851)	(360,030)	(381,549)	(400,551)
Net Revenues for Debt Service Coverage	\$ 125,997	\$ 146,051	\$ 168,691	\$ 171,829	\$ 245,212	\$ 235,024	\$ 264,034	\$ 301,118	\$ 409,443	\$ 694,897	\$ 694,364	\$ 691,763
Revenue Bond Debt Service	\$ 49,687	\$ 54,190	\$ 60,720	\$ 74,690	\$ 78,301	\$ 88,439	\$ 105,632	\$ 128,771	\$ 204,494	\$ 413,095	\$ 418,610	\$ 417,293
Debt Service Coverage												
Debt service coverage	2.54	2.70	2.78	2.30	3.13	2.66	2.50	2.34	2.00	1.68	1.66	1.66
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Source: Preceding exhibits and accompanying text. Historical amounts include accrual-to-cash adjustments.

Exhibit P

ENPLANED PASSENGERS AND LANDED WEIGHT

Austin-Bergstrom International Airport

For Fiscal Years ending September 30

(passengers and landed weight units in thousands)

This forecasts presented in this exhibit were prepared on the basis of various assumptions, as described in the accompanying text.

Inevitably, some of such assumptions will not be realized and unanticipated events and circumstances may occur.

Therefore, there will be differences between the forecast and actual results, and those differences may be material.

Base Passenger Forecast	Historical				Forecast								Average change
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2025-2033
Enplaned Passengers													
Originating	8,701	9,494	9,669	9,548	10,200	10,600	11,000	11,400	11,800	12,200	12,600	13,000	3.9%
Annual change		9.1%	1.8%	-1.2%	6.8%	3.9%	3.8%	3.6%	3.5%	3.4%	3.3%	3.2%	
Connecting	1,433	1,467	1,338	1,156	1,100	1,200	1,300	1,400	1,500	2,500	3,300	3,700	15.6%
Annual change		2.4%	-8.8%	-13.6%	-4.9%	9.1%	8.3%	7.7%	7.1%	66.7%	32.0%	12.1%	
Total Enplaned	10,134	10,961	11,007	10,704	11,300	11,800	12,300	12,800	13,300	14,700	15,900	16,700	5.7%
Annual change		8.2%	0.4%	-2.7%	5.6%	4.4%	4.2%	4.1%	3.9%	10.5%	8.2%	5.0%	
Percent originating	85.9%	86.6%	87.8%	89.2%	90.3%	89.8%	89.4%	89.1%	88.7%	83.0%	79.2%	77.8%	
Percent connecting	14.1%	13.4%	12.2%	10.8%	9.7%	10.2%	10.6%	10.9%	11.3%	17.0%	20.8%	22.2%	
Landed Weight													
Passenger	11,829	13,014	12,786	12,569	13,250	14,260	14,680	15,080	15,480	16,900	18,060	18,740	4.3%
Cargo	816	706	745	652	760	780	800	820	840	860	880	900	2.1%
Total	12,645	13,720	13,530	13,221	14,010	15,040	15,480	15,900	16,320	17,760	18,940	19,640	4.2%
Annual change		8.5%	-1.4%	-2.3%	6.0%	7.4%	2.9%	2.7%	2.6%	8.8%	6.6%	3.7%	

Source for historical data: City of Austin, Austin Aviation.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

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City of Austin, Texas
Year Ended September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2025, 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.

We did not audit the financial statements of Austin-Bergstrom Landhost Enterprises Inc. (ABLE), Austin Convention Enterprises Inc. (ACE), Austin Transit Partnership Local Government Corporation (ATP), Retreat at North Bluff, LP (RNB), Central Housing, LP (CHLP), Hyde Park Housing, LP (HPHLP), 12100 Metric, LP (12MTLP), and Cielo at North Domain, LP (CNDLP), which represent 98.5%, 98.9%, 97.1%, respectively, of the assets, net position and revenues of the aggregate discretely presented component units as of September 30, 2025. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for ABLE, ACE, ATP, RNB, CHLP, HPHLP, 12MTLP, and CNDLP is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and related notes, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

March 6, 2026

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

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. 102.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2025, resulting in \$6.6 billion of net position. Net position associated with governmental activities is approximately \$433.2 million, or 6.5% of total net position, while the net position associated with business-type activities is approximately \$6.2 billion, or 93.5% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is \$7.1 billion, or 107.6% of total net position.

The City's unrestricted net position is a deficit of \$2.0 billion. Unrestricted net position for governmental activities is a deficit of \$3.1 billion, while unrestricted net position for business-type activities is approximately \$1.1 billion, or 18.1% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of \$2.2 billion and other postemployment benefits (OPEB) liability of \$771.7 million.

During fiscal year 2025, total net position for the City of Austin increased \$1.8 billion or 36.8%. Of this amount, governmental activities increased \$977.9 million, or 179.5% from the previous year and business-type activities increased \$806.1 million, or 14.9%.

Total revenues for the City increased \$123.9 million; revenues for governmental activities decreased \$89.2 million; revenues for business-type activities increased \$213.1 million. Total expenses for the City decreased \$899.0 million; expenses for governmental activities decreased \$717.8 million; expenses for business-type activities decreased \$181.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

a. Government-wide financial statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

a. Government-wide financial statements, continued

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

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

The government-wide financial statements also include the following discretely presented component units: 12100 Metric LP (12MTLP), Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), Austin Transit Partnership Local Government Corporation (ATP), Austin Travis County Sobriety Center Local Government Corporation (SCLGC), Central Housing, LP (CHLP), Cielo at North Domain, LP (CNDLP), Hyde Park Housing, LP (HPHLP), Rally Austin (RA) formerly referred to as the Austin Economic Development Corporation (AEDC), Retreat at North Bluff, LP (RNBLLP), 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. WCLGC activities are recorded in the City's financial system and City staff prepares the financial reports for this entity. There was no WCLGC activity in fiscal year 2025.

b. Fund financial statements

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

b. Fund financial statements, continued

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

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Austin Energy™, Austin Water, and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.
- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management; Combined Transportation, Emergency and Communications Center (CTECC); Employee Benefits; Fleet Maintenance; Information and Technology; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

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

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

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

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

Basis of reporting – The government-wide statements and fund-level proprietary and fiduciary 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.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

c. Notes to the financial statements

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a. Net position

The following table reflects a summary statement of net position compared to prior year, as restated (see Note 21):

Condensed Statement of Net Position						
as of September 30						
(in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 752,890	712,429	2,834,689	2,546,099	3,587,579	3,258,528
Capital assets	4,932,442	4,573,709	11,162,135	10,297,962	16,094,577	14,871,671
Other noncurrent assets	320,469	401,483	2,740,062	3,216,188	3,060,531	3,617,671
Total assets	6,005,801	5,687,621	16,736,886	16,060,249	22,742,687	21,747,870
Deferred outflows of resources	1,417,864	1,844,919	989,611	1,297,210	2,407,475	3,142,129
Current liabilities	602,963	651,942	856,808	790,522	1,459,771	1,442,464
Noncurrent liabilities	4,909,560	5,890,935	8,809,134	9,275,273	13,718,694	15,166,208
Total liabilities	5,512,523	6,542,877	9,665,942	10,065,795	15,178,465	16,608,672
Deferred inflows of resources	1,477,894	1,534,295	1,858,715	1,895,967	3,336,609	3,430,262
Net position:						
Net investment in capital assets	3,123,832	2,982,799	4,017,875	3,730,389	7,141,707	6,713,188
Restricted	425,499	414,964	1,060,148	1,144,459	1,485,647	1,559,423
Unrestricted (deficit)	(3,116,083)	(3,942,395)	1,123,817	520,849	(1,992,266)	(3,421,546)
Total net position	\$ 433,248	(544,632)	6,201,840	5,395,697	6,635,088	4,851,065

In the current fiscal year, total assets increased \$994.8 million and deferred outflows of the City decreased by \$734.7 million. Total liabilities decreased \$1.4 billion and deferred inflows decreased by \$93.7 million. Governmental-type total assets increased by \$318.2 million and business-type increased by \$676.6 million, while governmental-type liabilities decreased by \$1.0 billion and business-type decreased by \$399.9 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of \$358.7 million as the City continues to build out projects from the 2016, 2018, 2020, and other bond programs. The primary factor in the decrease of governmental-type liabilities of \$1.0 billion is due to a decrease in the other postemployment benefit liability of \$1.1 billion. The decrease in the other postemployment benefits liability is primarily due to changes in plan benefits.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

a. Net position, continued

The most significant factors in the increase of business-type total assets of \$676.6 million is related to the increase in capital assets of \$864.2 million and a decrease of regulatory assets of \$205.7 million. Significant asset additions included Austin Water's continued installation of advanced water metering infrastructure and the purchase of property for the construction of a centralized operations and maintenance facility serving the southern portion of the city. Additional asset investments included the construction of a new, 90,000 square foot cargo facility at the Airport. The primary factor for the decrease in business-type total liabilities of \$399.9 million is a decrease of \$803.5 million in other post employment benefits liability offset by an increase of \$237.2 million in commercial paper notes payable.

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 \$6.6 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 \$7.1 billion, or 107.6% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, \$1.5 billion of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance is a deficit of \$2.0 billion of unrestricted net position. Unrestricted net position increased \$1.4 billion in the current fiscal year.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for business-type activities. However, both governmental activities and the government as a whole, reported deficits of \$3.1 billion and \$2.0 billion for unrestricted net position, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b. Changes in net position

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 220,364	192,234	3,487,275	3,247,204	3,707,639	3,439,438
Operating grants and contributions	85,213	206,065	2,103	23,775	87,316	229,840
Capital grants and contributions	120,784	89,682	195,840	157,622	316,624	247,304
General revenues:						
Property tax	1,122,923	1,043,910	-	-	1,122,923	1,043,910
Sales tax	366,511	364,913	-	-	366,511	364,913
Franchise fees and gross receipts tax	226,990	224,469	-	-	226,990	224,469
Intergovernmental	30,820	67,445	-	-	30,820	67,445
Interest and other	79,013	153,109	134,213	177,744	213,226	330,853
Total revenues	2,252,618	2,341,827	3,819,431	3,606,345	6,072,049	5,948,172
Program expenses:						
General government	66,484	166,188	-	-	66,484	166,188
Public safety	438,468	761,720	-	-	438,468	761,720
Transportation, planning, and sustainability	260,478	266,035	-	-	260,478	266,035
Public health	138,694	281,860	-	-	138,694	281,860
Public recreation and culture	99,297	187,237	-	-	99,297	187,237
Urban growth management	244,531	309,876	-	-	244,531	309,876
Interest on debt	82,646	75,434	-	-	82,646	75,434
Electric	-	-	1,724,423	1,684,492	1,724,423	1,684,492
Water	-	-	279,879	307,646	279,879	307,646
Wastewater	-	-	242,277	271,580	242,277	271,580
Airport	-	-	258,023	273,675	258,023	273,675
Convention	-	-	125,966	77,861	125,966	77,861
Environmental and health services	-	-	76,334	111,019	76,334	111,019
Public recreation	-	-	9,075	11,155	9,075	11,155
Urban growth management	-	-	241,451	401,234	241,451	401,234
Total expenses	1,330,598	2,048,350	2,957,428	3,138,662	4,288,026	5,187,012
Excess (deficiency) before transfers	922,020	293,477	862,003	467,683	1,784,023	761,160
Transfers	55,860	23,925	(55,860)	(23,925)	-	-
Increase (decrease) in net position	977,880	317,402	806,143	443,758	1,784,023	761,160
Beginning net position, as previously reported	(541,244)	(860,710)	5,398,532	4,954,706	4,857,288	4,093,996
Restatement adjustment	(3,388)	2,064	(2,835)	68	(6,223)	2,132
Beginning net position, as restated (See Note 21)	(544,632)	(858,646)	5,395,697	4,954,774	4,851,065	4,096,128
Ending net position	\$ 433,248	(541,244)	6,201,840	5,398,532	6,635,088	4,857,288

Total net position of the City increased by \$1.8 billion in the current fiscal year. Governmental net position increased by \$977.9 million. The increase is attributable revenues exceeding expenses by \$922.0 million plus transfers from other funds of \$55.9 million. Business-type net position increased by \$806.1 million due to revenues exceeding expenses by \$862.0 million before transfers of \$55.9 million to other funds.

In addition, the City restated beginning net position for governmental and business-type activities as a result of implementation of GASB Statement No. 101, Compensated Absences. For more information, see Note 21.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

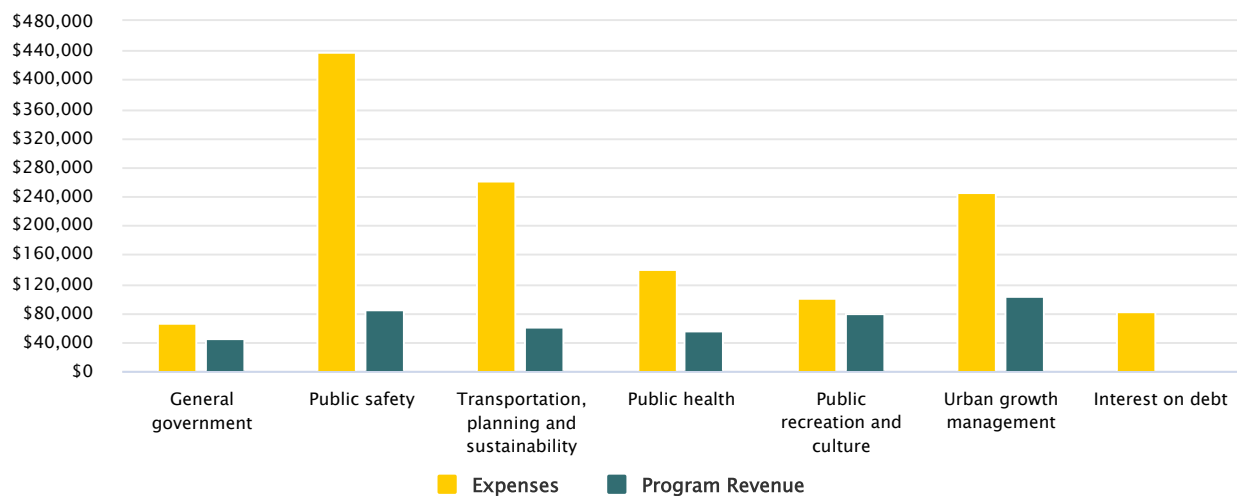
c. Program revenues and expenses – governmental activities

Governmental activities increased the City's net position by \$977.9 million in fiscal year 2025, a 179.5% increase of governmental net position from the previous year. The primary reason for the change in net position is due to a decrease in OPEB expenses of \$756.8 million as a result of changes in plan benefits. Additional factors that contributed to the change from fiscal year 2024 to 2025 are as follows:

- Property tax revenues increased by \$79.0 million largely due to an increase in the property tax rate.
- Charges for goods and services increased by \$28.1 million, mainly driven by assessments from the new Tourism Public Improvement district, rental revenue from the new Public Safety Headquarters, and an increase in emergency services fee collections.
- Operational grants and contributions decreased by \$120.9 million, mainly due to decreased grant funding for anti-displacement programs, Winter Storm Mara, and a lower level of revenue-loss reimbursement under ARPA.
- Capital grants and contributions increased by \$31.1 million, mainly due to increase in contributed assets resulting from increases in development.
- Public health expenses decreased by \$143.2 million mainly due to decrease in expenditures related to COVID-19 response activities.
- Urban growth management expenses decreased by \$65.3 million due to decreased expenditures related to housing assistance and anti-displacement programs.

The chart below illustrates the City's governmental expenses 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 Expenses and Program
Revenues – Business-type Activities (Excludes General
Revenues and Transfers) (in thousands)**

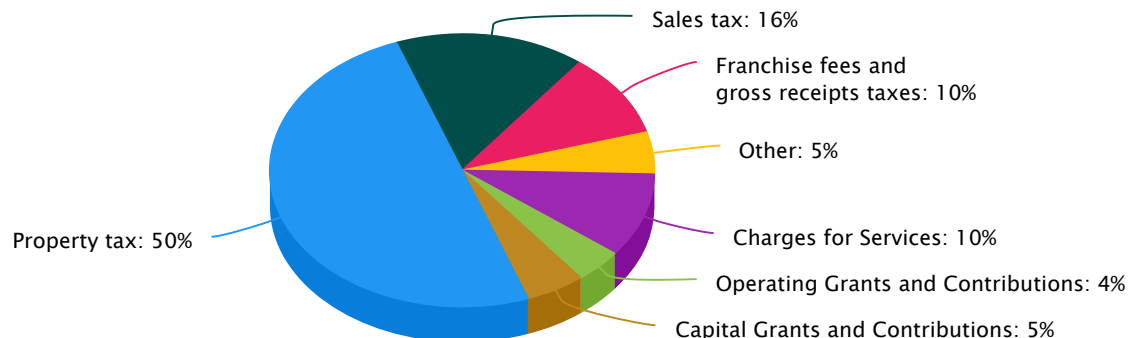


FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c. Program revenues and expenses – governmental activities, continued

General revenues such as property taxes, sales taxes, and franchise fees are not shown by program, but are used to support all governmental activities. Property taxes are the largest source of governmental revenues, followed by sales taxes, franchise fees and gross receipts taxes, and charges for 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 \$806.1 million, accounting for a 16.6% increase in the City's total net position. One reason for the increase is attributable to OPEB benefit plan changes in the current year, which resulted in a decrease of OPEB expenses. For programs that experienced overall decreases in expenditures, the primary driver was the reduction in the OPEB related costs. Additional key factors include:

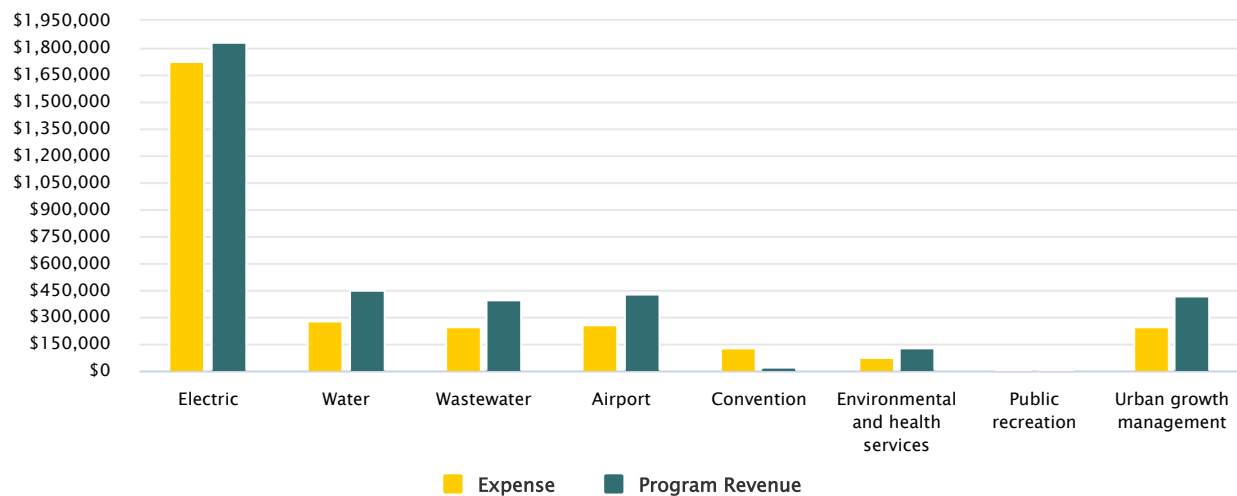
- Austin Energy net position increased \$26.4 million. This increase is primarily due to an increase in power supply revenue.
- Austin Water net position increased approximately \$280.2 million. Revenues increased by 15.9%, primarily due to rate increase and customer growth. Expenses decreased 9.9% for the year.
- Airport net position increased approximately \$205.9 million. Revenue increased by 14.4% mainly due to higher Aviation revenues from terminal rentals, landing fees, and parking charges, along with increased grant revenues in FY25. Expenses decreased 5.7%.
- Convention Center net position increased approximately \$34.6 million. Revenues decreased 32.7% due to a decrease in facility rentals and food concessions revenue. Expenses increased 61.8% which was primarily driven by a loss from the disposal of assets related to the Convention Center remodel.
- Environmental and health services is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position increased approximately \$56.3 million. Revenues increased 6.7% due to an increase in ARR base rates, cart rates, and clean community fee rates. Expenses decreased 31.2%.
- Urban growth management activities are comprised of the following nonmajor enterprise funds: Development Services, Drainage, and Transportation. Net position for the urban growth management activities increased by approximately \$196.6 million.
 - Development Services net position increased by approximately \$47.6 million. Revenues increased 1.4%, due to a slight increase in building permit fees and related surcharges and expenditures decreased 55.7%.
 - Drainage net position increased approximately \$76.5 million. Revenues increased 10.0%, primarily due to higher drainage charge revenue following a rate increase, and expenses decreased 39.2%.
 - Transportation net position increased approximately \$72.4 million. Revenues increased 7.3%, due primarily to increases in the transportation user fee for residential and commercial customers. Expenditures decreased 31.6%.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

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

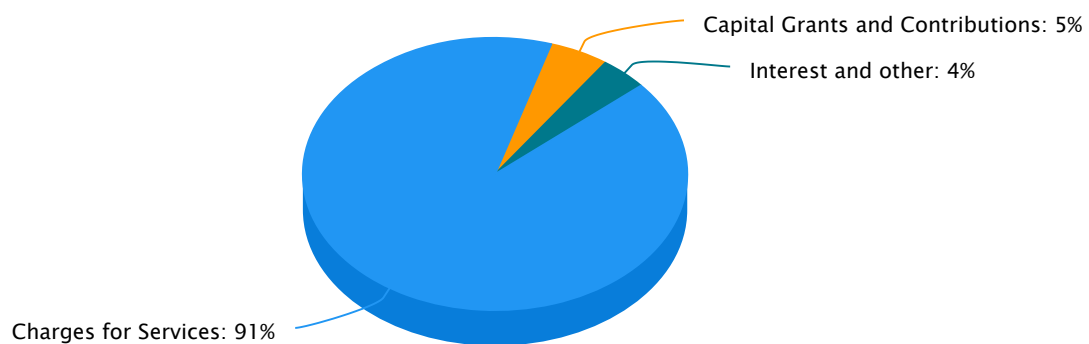
As shown in the following chart, Austin Energy (electric), with expenses of \$1.7 billion is the City's largest business-type activity, followed by water with \$279.9 million, airport with \$258.0 million, wastewater with \$242.3 million, urban growth management with \$241.5 million, convention center with \$126.0 million, environmental and health services with \$76.3 million, and public recreation with \$9.1 million. For the fiscal year, expenses exceeded revenues for convention center activities as a result of the demolition and rebuild of the convention center.

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, followed by capital grants and contributions, and interest and other revenues.

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's governmental funds reported combined ending fund balances of \$378.3 million, a decrease of \$20.7 million from the previous year. Approximately \$5.2 million is nonspendable, \$419.1 million is restricted, \$155.1 million is committed, \$426.8 million is assigned, and a deficit of \$628.0 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported a nonspendable fund balance of \$2.7 million, assigned fund balance of \$211.1 million, and unassigned fund balance of \$192.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.6% of total General Fund expenditures of \$1.4 billion, and total fund balance represents 28.7% 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 \$112.2 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, if the reserve exceeds seven percent of total General Fund requirements, but such appropriation should not exceed one-third of the total amount in the reserve.

The fund balance of the General Fund decreased \$8.6 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased by \$33.8 million largely due to an increased property tax rate.
- Interest and other revenue decreased \$78.2 million. The decrease was driven by a reduction in federal award funding from FEMA, lower Right-of-Way Encroachment fees related to development, and lower interest revenue from reduced interest rates.
- Transfer In revenues increased by \$13.3 million mainly due to a change in Austin Energy and Austin Water's utility average revenue calculation.
- Public Safety expenditures increased by \$44.9 million mainly due to increase in salaries and fringe benefits under the Meet and Confer Agreement, improved staffing levels, and rising insurance costs.
- General Government increased \$15.6 million primarily due to an increase in interdepartmental charges to Internal Service Fund.

b. Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by \$800.8 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

During fiscal year 2025, the General Fund budget for general city responsibilities decreased by \$16.6 million, which was offset by an increase in the Police expenditures budget to cover additional wages and benefits resulting from the new labor contract. An additional amendment increased transfers out in the Economic Incentives Reserve Fund by \$1.0 million to support a transfer to the Mueller Local Government Corporation for debt service on outstanding bonds.

During the year, actual-budget basis revenues were \$16.7 million less than budgeted. Property taxes were \$5.6 million less than budgeted due to a higher volume of assessment appeals and the associated increase in refunds. Sales taxes were \$11.8 million less than budgeted due to the decrease in spending resulting from cost inflation. Development fees were \$7.1 million more than budgeted due to increased housing projects completed. Emergency Medical Services were \$6.1 million more than budgeted due to additional staff and improved processes for prior year revenue collections. Other revenue was \$13.9 million less than budgeted due to decreased grant funding for anti-displacement programs, Winter Storm Mara, and a lower level of revenue-loss reimbursement under ARPA.

Actual-budget basis expenditures were \$29.9 million less than budgeted. Most departments were under budget except for Animal Services, which was over budget by \$268 thousand due to the opening of a new clinic location and higher costs of temporary employees. Police was under budget by \$4.6 million due to increased expense reimbursements related to additional officers assigned to airport security, overtime for special events, and assistance provided to other governmental agencies. Other Urban Growth Management was under budget by \$4.3 million due to projects that were budgeted in fiscal year 2025 but will be completed in future periods. The total budget-basis fund balance at year-end was \$295.2 million.

OTHER INFORMATION, continued

b. Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2025, total \$16.1 billion (net of accumulated depreciation and amortization). Capital assets include building and improvements, plant and equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land and improvements, construction in progress, development in progress, plant held for future use, intangible right-to-use leased assets and IT subscriptions, and other assets not depreciated. The total increase in the City's capital assets for the current fiscal year was \$1.2 billion, with an increase of 7.8% for governmental activities and an increase of 8.4% for business-type activities. Additional information regarding the City's capital assets can be found in Note 5. Capital asset balances are as follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Building and improvements	\$ 1,352	1,113	2,286	2,292	3,638	3,405
Plant and equipment	76	89	2,896	2,767	2,972	2,856
Vehicles	109	97	136	127	245	224
Electric plant	-	-	2,599	2,457	2,599	2,457
Non-electric plant	-	-	228	230	228	230
Nuclear fuel	-	-	65	61	65	61
Water rights	-	-	74	75	74	75
Infrastructure	1,870	1,829	-	-	1,870	1,829
Land and improvements	809	733	946	877	1,755	1,610
Construction in progress	544	533	1,812	1,322	2,356	1,855
Development in progress	2	10	-	-	2	10
Plant held for future use	-	-	23	23	23	23
Intangible right-to-use leased assets and IT subscriptions	137	138	89	59	226	197
Other assets not depreciated	33	32	8	8	41	40
Total net capital assets	<u>\$ 4,932</u>	<u>4,574</u>	<u>11,162</u>	<u>10,298</u>	<u>16,094</u>	<u>14,872</u>

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

- Governmental capital assets increased by \$358.7 million, driven by substantial real property acquisitions and infrastructure investments. Key additions include new public safety facilities such as the Canyon Creek Fire & EMS Station, a 14,000-square-foot, four-bay station. Community-focused improvements include the Dove Springs Public Health Facility, a 23,000-square-foot multi-purpose neighborhood center, and a new pool in Colony Park District Park featuring a water slide and lap lanes. Major real estate acquisitions include the University Park property, consisting of a 206,657-square-foot office building and parking garage, as well as the 1 & 2 Barton Skyway complex to support the development of a consolidated Public Safety Campus.
- Business-type activities purchased or constructed capital assets totaling \$864.2 million. Significant asset additions included investments by Austin Energy in critical distribution and transmission electrical infrastructure and a field service center, and by Austin Water in advanced metering infrastructure, upgrades to the Davis Water Treatment Plant electrical infrastructure and water discharge systems, renewal of the Walnut Creek Wastewater Treatment Plant control system network and chlorination facilities, and the purchase of property at 6500 Tracor Lane for construction of a centralized operations and maintenance facility. Additional investments included the construction of a new 90,000-square-foot cargo facility at the Airport.

OTHER INFORMATION, continued

c. Debt Administration

At the end of the current fiscal year, the City reported \$8.5 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 9.

**Outstanding Debt
General Obligation and Revenue Debt
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds and other tax supported debt, net	\$ 1,864	1,655	44	50	1,908	1,705
Commercial paper notes, net	-	-	553	316	553	316
Revenue bonds, net	-	-	5,678	5,674	5,678	5,674
Revenue notes from direct placements, net	-	-	368	292	368	292
Financed purchase obligations	4	7	-	-	4	7
Total	<u>\$ 1,868</u>	<u>1,662</u>	<u>6,643</u>	<u>6,332</u>	<u>8,511</u>	<u>7,994</u>

During fiscal year 2025, the City's total outstanding debt increased by \$516.8 million. The City issued new debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Outstanding debt for governmental activities increased by \$205.3 million. The City issued \$461.4 million in new debt to be used primarily for streets and mobility, park improvements, water quality protection, cultural arts facility improvements, health & public safety, fleet, hardware and software systems, purchase of real estate, a new Fire/EMS station and station improvements, and waterway repairs. This issuance was offset by a debt refunding of \$102.5 million and debt payments of \$170.5 million made during the year.
- Outstanding debt for business-type activities increased by \$311.5 million. The City issued \$240.9 million in Electric Utility System revenue refunding bonds to refund commercial paper. Additionally, the City issued \$25.0 million of Water and Wastewater System revenue bonds to improve and extend the water and wastewater system. The City also issued \$12.2 million in Combination Tax and Surplus Revenue Certificate of Obligation to improve water quality and repair wastewater infrastructure. These issuances were offset by debt payments during the year and a cash defeasance of \$39.2 million in Water and Wastewater separate lien revenue bonds.

During the year, the rating for the City's General Obligation bonds was revised by Fitch Ratings, Inc. from AA+ to AAA. 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. The City has elected to forego ratings by Moody's for General Obligation issuances after 2022 due to a change in methodology but will continue to use Fitch and S&P Global Ratings. Ratings of the City's obligations for various debt instruments at September 30, 2025 and 2024 were as follows:

Debt	Moody's Investors Service, Inc.		S&P Global Ratings		Fitch Ratings, Inc.	
	2025	2024	2025	2024	2025	2024
General obligation bonds and other tax supported debt	NUR (1)	NUR (1)	AAA	AAA	AAA	AA+
Commercial paper notes - tax exempt	P-1	P-1	A-1+	A-1+	F1+	F1+
Commercial paper notes - taxable	P-1	P-1	A-1+	A-1+	F1	F1
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	Aa3	Aa3	AA-	AA-	AA-	AA-
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	A1	A1	A+	A+	NUR (1)	NUR (1)
Convention Center revenue bonds	Aa3	Aa3	AA	AA	NUR (1)	NUR (1)

(1) No underlying rating

OTHER INFORMATION, continued

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

Austin is moving beyond its status as a rapid-growth city into a mature global economic hub. Recently released federal data shows continued growth for the Austin metro area. Austin's increasing ties to the global economy suggest that national trends will have a more significant local impact.

The Austin area gained over 10,000 jobs from December 2024 through December 2025 with the greatest number in government, education and health service, and trade, transportation, and utilities sectors. The unemployment rate for the Austin-Round Rock MSA increased to 3.2% while the state unemployment rate was 4.3%, and the national unemployment rate was 4.1%.

The normalization of the residential real estate market in 2025 fostered a healthier, more sustainable outlook, marked by a 5.5% increase in listings and a 2.2% decrease in median sales price. Within the Austin metro area, the residential market experienced a 3.2% decrease in sales in contrast to 2024. Meanwhile, sales tax revenue edged up 0.4% from the previous year, underscoring the volatility tied to trade and tariff uncertainty. Despite these fluctuations, Austin continues to maintain a diverse economic ecosystem and attract strong international interest.

The overriding goal of the 2026 budget process was to maintain focus on the core of City operations. 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. In 2025, the City's general obligation bond rating was upgraded to the highest possible rating, AAA, by Fitch Ratings, Inc. The City's revenue system debt for Austin Energy, Austin Water, and the Airport also maintained high bond ratings with no changes.

Growth of taxable property values within the City decreased by 1.5% in 2025 for fiscal year 2026. The property tax rate for fiscal year 2026 is 57.40 cents per \$100 valuation, up from 47.76 cents per \$100 valuation in 2025. The tax rate consists of 46.03 cents for the General Fund and Project Connect, and 11.37 cents for debt service. The change in annual rates, fees, and property tax for the typical City ratepayer for 2026 is \$417.24 based on the increases to rates and utility fees for Austin Water, Austin Resource Recovery, the Transportation User Fee, and the Drainage Utility Fee.

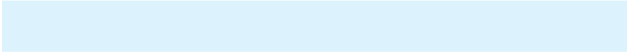
e. Requests for Information

This financial report is designed to provide our residents, 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 Austin Financial Services – Accounting & Reporting Division 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



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Statement of Net Position
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit A-1

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	\$ 43	30	73	-
Pooled investments and cash	448,491	1,656,844	2,105,335	10,104
Pooled investments and cash - restricted	723	250,107	250,830	-
Total pooled investments and cash	449,214	1,906,951	2,356,165	10,104
Investments - restricted	31,214	258,076	289,290	-
Cash held by trustee	-	9,870	9,870	-
Cash held by trustee - restricted	15,234	8,215	23,449	7,457
Working capital advances	-	2,022	2,022	-
Property taxes receivable, net of allowance \$5,800	23,060	-	23,060	-
Accounts receivable, net of allowance \$503,171	150,496	318,006	468,502	4,526
Interest receivable	10,800	16,222	27,022	-
Receivables from other governments	69,265	3,815	73,080	-
Receivables from other governments - restricted	-	15,732	15,732	3,093
Leases receivable	7,048	22,587	29,635	-
Notes receivable, net of allowance \$42,456	65,304	-	65,304	-
Inventories, at cost	2,288	117,962	120,250	219
Internal balances	(108,360)	108,360	-	-
Real property held for resale	3,499	-	3,499	-
Regulatory assets, net of accumulated amortization	-	10,138	10,138	-
Prepaid expenses	14,135	30,804	44,939	1,809
Other receivables - restricted	-	3,841	3,841	-
Other assets	19,650	2,058	21,708	-
Total current assets	752,890	2,834,689	3,587,579	27,208
Noncurrent assets:				
Cash - restricted	-	4,595	4,595	-
Pooled investments and cash - restricted	55,589	562,524	618,113	-
Investments	-	-	-	504,150
Investments - restricted	-	483,773	483,773	89,340
Investments held by trustee - restricted	12,921	339,571	352,492	-
Cash held by trustee - restricted	1,107	-	1,107	7,740
Interest receivable - restricted	-	6,299	6,299	-
Leases receivable	73,746	137,159	210,905	-
Depreciable capital assets, net	3,406,825	8,285,891	11,692,716	258,532
Nondepreciable capital assets	1,388,525	2,787,701	4,176,226	198,863
Intangible right-to-use capital assets, net	137,092	88,543	225,635	16,406
Derivative instruments - energy risk management	-	1,404	1,404	-
Regulatory assets, net of accumulated amortization	-	1,079,831	1,079,831	-
Other receivables - restricted	-	27,230	27,230	-
Other long-term assets	177,106	88,766	265,872	2,301
Other long-term assets - restricted	-	8,910	8,910	-
Total noncurrent assets	5,252,911	13,902,197	19,155,108	1,077,332
Total assets	6,005,801	16,736,886	22,742,687	1,104,540
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,417,864	989,611	2,407,475	8,604

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

(Continued)

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

Statement of Net Position
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit A-1
(Continued)

	Governmental Activities	Business-type Activities	Total (+)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 92,335	161,661	253,996	17,899
Accounts and retainage payable from restricted assets	18,664	120,784	139,448	-
Accrued payroll	28,060	20,707	48,767	446
Accrued compensated absences	106,571	39,732	146,303	-
Claims payable	36,314	271	36,585	-
Due to other governments	-	6,477	6,477	4,397
Accrued interest payable from restricted assets	2	95,105	95,107	3,893
Interest payable on other debt	8,457	3,699	12,156	-
Bonds payable	110,725	5,385	116,110	12,650
Bonds payable from restricted assets	35,786	208,214	244,000	-
Leases and IT subscriptions payable	25,367	27,648	53,015	22
Other postemployment benefits liability	33,006	23,344	56,350	-
Financed purchase obligations	3,554	-	3,554	-
Customer and escrow deposits payable from restricted assets	84,968	130,867	215,835	-
Accrued landfill closure and postclosure costs	-	837	837	-
Other liabilities	18,577	12,077	30,654	18,212
Other liabilities payable from restricted assets	577	-	577	-
Total current liabilities	602,963	856,808	1,459,771	57,519
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	70,266	10,879	81,145	-
Claims payable	40,261	857	41,118	-
Commercial paper notes payable, net of discount	-	553,153	553,153	-
Bonds and loans payable, net	1,717,661	5,876,456	7,594,117	274,904
Leases and IT subscriptions payable	98,856	54,138	152,994	2,513
Net pension liability	2,231,310	1,300,489	3,531,799	-
Other postemployment benefits liability	738,739	522,554	1,261,293	-
Accrued landfill closure and postclosure costs	-	16,122	16,122	-
Asset retirement obligations	982	451,854	452,836	-
Derivative instruments - interest rate swaps	-	1,644	1,644	-
Other liabilities	11,485	8,013	19,498	5,681
Other liabilities payable from restricted assets	-	12,975	12,975	-
Total noncurrent liabilities	4,909,560	8,809,134	13,718,694	283,098
Total liabilities	5,512,523	9,665,942	15,178,465	340,617
DEFERRED INFLOWS OF RESOURCES	1,477,894	1,858,715	3,336,609	633
NET POSITION				
Net investment in capital assets	3,123,832	4,017,875	7,141,707	211,898
Restricted for:				
Bond reserve	-	35,894	35,894	-
Capital projects:				
Expendable	131,689	214,104	345,793	-
Nonexpendable	1,469	-	1,469	-
Debt service	32,531	162,766	195,297	58,604
Housing activities	99,327	-	99,327	49,992
Operating reserve	-	109,631	109,631	-
Passenger facility charges	-	149,536	149,536	-
Perpetual care:				
Expendable	1	-	1	-
Nonexpendable	1,070	-	1,070	-
Public safety activities	9,857	-	9,857	-
Capital reserve	-	89,790	89,790	-
Contingency reserve	-	149,355	149,355	-
Power supply stabilization reserve	-	149,072	149,072	-
Tourism	101,368	-	101,368	397
Urban growth programs	37,045	-	37,045	-
Other purposes	11,142	-	11,142	-
Unrestricted (deficit)	(3,116,083)	1,123,817	(1,992,266)	451,003
Total net position	\$ 433,248	6,201,840	6,635,088	771,894

(+) 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, 2025
(In thousands)

City of Austin, Texas
Exhibit A-2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Governmental activities								
General government	\$ 66,484	36,776	179	7,361	(22,168)	-	(22,168)	-
Public safety	438,468	76,874	7,805	80	(353,709)	-	(353,709)	-
Transportation, planning, and sustainability	260,478	1,813	2,994	55,203	(200,468)	-	(200,468)	-
Public health	138,694	17,466	38,771	-	(82,457)	-	(82,457)	-
Public recreation and culture	99,297	20,080	687	57,308	(21,222)	-	(21,222)	-
Urban growth management	244,531	67,355	34,777	832	(141,567)	-	(141,567)	-
Interest on debt	82,646	-	-	-	(82,646)	-	(82,646)	-
Total governmental activities	1,330,598	220,364	85,213	120,784	(904,237)	-	(904,237)	-
Business-type activities								
Electric	1,724,423	1,776,747	1,286	52,703	-	106,313	106,313	-
Water	279,879	393,467	-	55,863	-	169,451	169,451	-
Wastewater	242,277	350,276	-	42,458	-	150,457	150,457	-
Airport	258,023	394,478	-	31,453	-	167,908	167,908	-
Convention	125,966	24,975	-	-	-	(100,991)	(100,991)	-
Environmental and health services	76,334	132,199	11	-	-	55,876	55,876	-
Public recreation	9,075	14,631	-	428	-	5,984	5,984	-
Urban growth management	241,451	400,502	806	12,935	-	172,792	172,792	-
Total business-type activities	2,957,428	3,487,275	2,103	195,840	-	727,790	727,790	-
Total primary government	\$ 4,288,026	3,707,639	87,316	316,624	(904,237)	727,790	(176,447)	-
Component Units	166,176	106,558	28,273	28,510	-	-	-	(2,835)
General revenues:								
Property tax					1,122,923	-	1,122,923	-
Sales tax					366,511	-	366,511	-
Franchise fees and gross receipts tax					226,990	-	226,990	-
Intergovernmental					30,820	-	30,820	156,336
Interest and other income (loss)					79,013	134,213	213,226	25,608
Transfers-internal activities					55,860	(55,860)	-	-
Total general revenues and transfers					1,882,117	78,353	1,960,470	181,944
Net change in net position					977,880	806,143	1,784,023	179,109
Beginning net position, as restated (see Note 21)					(544,632)	5,395,697	4,851,065	592,785
Ending net position					\$ 433,248	6,201,840	6,635,088	771,894

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



Governmental Funds
Balance Sheet
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit B-1

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 37	-	37
Pooled investments and cash	169,452	90,313	259,765
Investments - restricted	-	31,214	31,214
Cash held by trustee - restricted	-	15,764	15,764
Investments held by trustee - restricted	-	12,921	12,921
Property taxes receivable, net of allowance	14,944	8,116	23,060
Accounts receivable, net of allowance	100,031	48,020	148,051
Interest receivable	5,195	4,721	9,916
Receivables from other governments	1	69,264	69,265
Leases receivable	6,961	3,873	10,834
Notes receivable, net of allowance	120	65,184	65,304
Due from other funds	193,864	536,469	730,333
Advances to other funds	-	123,115	123,115
Real property held for resale	-	3,499	3,499
Prepaid items	2,707	1,469	4,176
Other assets	4,281	15,369	19,650
Total assets	<u>497,593</u>	<u>1,029,311</u>	<u>1,526,904</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	23,153	63,960	87,113
Accrued payroll	21,158	231	21,389
Accrued compensated absences	14,822	-	14,822
Due to other funds	5	730,371	730,376
Unearned revenue	-	17,891	17,891
Advances from other funds	-	123,029	123,029
Deposits and other liabilities	2,904	82,012	84,916
Total liabilities	<u>62,042</u>	<u>1,017,494</u>	<u>1,079,536</u>
DEFERRED INFLOWS OF RESOURCES	<u>29,653</u>	<u>39,454</u>	<u>69,107</u>
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	2,706	1,469	4,175
Permanent funds	-	1,070	1,070
Restricted	-	419,112	419,112
Committed	-	155,086	155,086
Assigned	211,090	215,751	426,841
Unassigned	192,102	(820,125)	(628,023)
Total fund balances	<u>405,898</u>	<u>(27,637)</u>	<u>378,261</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 497,593</u>	<u>1,029,311</u>	<u>1,526,904</u>

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

Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit B-1.1

Total fund balances - Governmental funds		\$ 378,261
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	7,463,652	
Less: accumulated depreciation	(2,742,665)	
Intangible right-to-use capital assets, net	<u>71,155</u>	
		4,792,142
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Other assets		177,106
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		
Pensions	924,595	
Other postemployment benefits	489,008	
Loss on debt refundings	<u>3,676</u>	
		1,417,279
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Compensated absences	(145,075)	
Interest payable	(7,622)	
Bonds and other tax supported debt payable, net	(1,863,554)	
Leases payable	(70,700)	
Net pension liability	(2,231,310)	
Other postemployment benefits	(771,745)	
Financed purchase obligations	(3,554)	
Other liabilities	<u>(11,500)</u>	
		(5,105,060)
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.		
Unavailable revenue		
Property taxes and interest	25,606	
Accounts and other receivable	23,300	
Pensions	(603,749)	
Other postemployment benefits	(625,586)	
Deferred gain on debt refundings	(5,398)	
Public-private partnership arrangements	<u>(155,067)</u>	
		(1,340,894)
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.		
		<u>114,414</u>
Total net position - Governmental activities		<u>\$ 433,248</u>
The accompanying notes are an integral part of the financial statements.		

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit B-2

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 676,487	437,101	1,113,588
Sales taxes	366,511	-	366,511
Franchise fees and other taxes	46,735	180,255	226,990
Fines, forfeitures, and penalties	9,122	1,749	10,871
Licenses, permits, and inspections	28,444	4,932	33,376
Charges for services/goods	94,043	50,991	145,034
Intergovernmental	-	176,795	176,795
Property owners' participation and contributions	-	42,849	42,849
Lease revenue	156	125	281
Interest and other income (loss)	33,967	35,301	69,268
Total revenues	1,255,465	930,098	2,185,563
EXPENDITURES			
Current:			
General government	223,600	299	223,899
Public safety	804,603	9,446	814,049
Transportation, planning, and sustainability	-	183,468	183,468
Public health	135,318	69,451	204,769
Public recreation and culture	179,418	2,614	182,032
Urban growth management	60,554	183,935	244,489
Debt service:			
Principal	-	170,527	170,527
Interest	-	80,949	80,949
Fees and commissions	-	30	30
Lease and IT subscription financing principal	8,206	1,899	10,105
Interest expense on leases and IT subscriptions	1,140	91	1,231
Capital outlay - capital project funds	-	580,228	580,228
Total expenditures	1,412,839	1,282,937	2,695,776
Deficiency of revenues under expenditures	(157,374)	(352,839)	(510,213)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	-	366,728	366,728
Issuance of refunding bonds	-	84,067	84,067
Bond premiums	-	51,139	51,139
Payment to refunding bond escrow agent	-	(94,337)	(94,337)
Settlement of HUD 108 Loan	-	3,963	3,963
Issuance of lease and IT subscription debt	2,287	660	2,947
Transfers in	195,706	210,587	406,293
Transfers out	(49,179)	(282,061)	(331,240)
Total other financing sources (uses)	148,814	340,746	489,560
Net change in fund balances	(8,560)	(12,093)	(20,653)
Fund balances at beginning of year, as restated (see Note 21)	414,458	(15,544)	398,914
Fund balances at end of year	\$ 405,898	(27,637)	378,261

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

Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit B-2.1

Net change in fund balances - Governmental funds \$ (20,653)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay - capital project funds	580,228	
Capital outlay - other funds	17,949	
Depreciation expense	(174,584)	
Amortization expense	(12,159)	
Loss on disposal of capital assets	(1,375)	
Capital asset transfers to business-type activities, net	(29,360)	
Other asset adjustments	(62,419)	
		318,280

Revenues and transfers in the statement of activities that do not provide current available financial resources are not reported as revenues or transfers in the funds.

Property taxes	9,335	
Charges for services	6,701	
Operating Grants and Contributions	(39,852)	
Capital asset contributions	56,817	
		33,001

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	(366,728)	
Principal repayment on long-term debt	170,527	
Issuance of refunding bonds	(84,067)	
Bond premiums	(51,139)	
Payment to refunding bond escrow agent	94,337	
Issuance of lease and IT subscription debt	(2,947)	
Lease and IT subscription financing principal	10,105	
		(229,912)

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	(7,175)	
Pensions	(166,017)	
Other postemployment benefits	1,011,200	
Interest and other	27,652	
		865,660

A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.

	11,504	
Change in net position - Governmental activities	\$ 977,880	

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

Proprietary Funds
Statement of Net Position
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit C-1

	Business-Type Activities					Governmental Activities Internal Service Funds
	Austin Energy	Austin Water	Airport	Nonmajor Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash	\$ 12	1	2	15	30	6
Pooled investments and cash	345,872	299,511	438,545	572,916	1,656,844	237,816
Pooled investments and cash - restricted	112,654	81,240	34,133	22,080	250,107	723
Total pooled investments and cash	458,526	380,751	472,678	594,996	1,906,951	238,539
Investments - restricted	96,460	91,352	61,332	8,932	258,076	-
Cash held by trustee	-	9,870	-	-	9,870	-
Cash held by trustee - restricted	-	8,215	-	-	8,215	577
Working capital advances	2,022	-	-	-	2,022	-
Accounts receivable, net of allowance	172,817	85,089	20,984	39,116	318,006	2,445
Interest receivable	5,863	2,442	3,681	4,236	16,222	884
Receivables from other governments	3,815	-	-	-	3,815	-
Receivables from other governments - restricted	905	-	13,228	1,599	15,732	-
Leases receivable	-	94	22,281	212	22,587	6,180
Due from other funds	4,599	-	-	-	4,599	-
Inventories, at cost	106,949	4,966	3,452	2,595	117,962	2,288
Regulatory assets, net of accumulated amortization	10,138	-	-	-	10,138	-
Prepaid expenses	24,050	1,377	1,294	4,083	30,804	9,959
Other receivables - restricted	-	-	3,841	-	3,841	-
Other assets	519	102	1,322	115	2,058	-
Total current assets	886,675	584,259	604,095	655,899	2,730,928	260,878
Noncurrent assets:						
Cash - restricted	4,595	-	-	-	4,595	-
Pooled investments and cash - restricted	78,105	31,310	370,197	82,912	562,524	6,499
Advances to other funds	4,601	1,187	-	-	5,788	-
Advances to other funds - restricted	-	-	-	26	26	-
Investments - restricted	376,581	14,514	82,379	10,299	483,773	-
Investments held by trustee - restricted	292,981	28,047	-	18,543	339,571	-
Interest receivable - restricted	2,858	300	2,593	548	6,299	-
Leases receivable	-	1,331	132,942	2,886	137,159	63,780
Depreciable capital assets, net	2,916,625	3,715,085	1,316,645	337,536	8,285,891	67,157
Nondepreciable capital assets	510,956	961,709	640,271	674,765	2,787,701	7,206
Intangible right-to-use capital assets, net	59,877	5,958	4,151	18,557	88,543	65,937
Derivative instruments - energy risk management	1,404	-	-	-	1,404	-
Regulatory assets, net of accumulated amortization	1,079,831	-	-	-	1,079,831	-
Other receivables - restricted	27,230	-	-	-	27,230	-
Other long-term assets	12,485	162	75,810	309	88,766	-
Other long-term assets - restricted	39	8,871	-	-	8,910	-
Total noncurrent assets	5,368,168	4,768,474	2,624,988	1,146,381	13,908,011	210,579
Total assets	6,254,843	5,352,733	3,229,083	1,802,280	16,638,939	471,457
DEFERRED OUTFLOWS OF RESOURCES	\$ 407,161	173,673	96,264	312,513	989,611	585

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit C-1

(Continued)

	Business-Type Activities					Governmental
	Austin Energy	Austin Water	Airport	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 129,833	6,487	5,717	19,624	161,661	23,886
Accounts and retainage payable from restricted assets	28,805	29,042	59,511	3,426	120,784	
Accrued payroll	6,838	4,366	1,978	7,525	20,707	6,671
Accrued compensated absences	13,695	6,983	3,488	15,566	39,732	12,258
Claims payable	-	243	28	-	271	36,314
Due to other funds	-	-	-	-	-	4,556
Due to other governments	6,473	-	4	-	6,477	-
Accrued interest payable from restricted assets	34,139	36,936	23,704	326	95,105	2
Accrued interest payable	1,960	1,227	53	459	3,699	835
Bonds payable	-	-	-	5,385	5,385	147
Bonds payable from restricted assets	82,065	72,429	42,825	10,895	208,214	-
Leases and IT subscriptions payable	19,801	1,351	1,463	5,033	27,648	18,362
Other postemployment benefits liability	6,644	4,846	2,299	9,555	23,344	-
Customer and escrow deposits payable from restricted assets	112,459	10,565	1,010	6,833	130,867	723
Accrued landfill closure and postclosure costs	-	-	-	837	837	-
Other liabilities	1,024	7,698	3,026	329	12,077	-
Other liabilities payable from restricted assets	-	-	-	-	-	577
Total current liabilities	443,736	182,173	145,106	85,793	856,808	104,331
Noncurrent liabilities, net of current portion:						
Accrued compensated absences	3,788	3,573	1,399	2,119	10,879	4,682
Claims payable	272	535	50	-	857	40,261
Advances from other funds	1,187	-	-	112	1,299	4,601
Commercial paper notes payable, net of discount	227,653	325,500	-	-	553,153	-
Bonds and loans payable, net of discount and inclusive of premium	2,083,625	2,310,046	1,392,774	90,011	5,876,456	471
Leases and IT subscriptions payable	35,511	4,272	2,510	11,845	54,138	35,161
Net pension liability	440,338	259,668	113,366	487,117	1,300,489	-
Other postemployment benefits liability	148,706	108,471	51,461	213,916	522,554	-
Accrued landfill closure and postclosure costs	-	-	-	16,122	16,122	-
Asset retirement obligations	449,989	1,865	-	-	451,854	982
Derivative instruments - interest rate swaps	890	-	-	754	1,644	-
Other liabilities	5,223	1,527	1,263	-	8,013	-
Other liabilities payable from restricted assets	-	341	-	12,634	12,975	-
Total noncurrent liabilities	3,397,182	3,015,798	1,562,823	834,630	8,810,433	86,158
Total liabilities	3,840,918	3,197,971	1,707,929	920,423	9,667,241	190,489
DEFERRED INFLOWS OF RESOURCES	\$ 1,004,828	150,018	415,206	288,663	1,858,715	67,893

The accompanying notes are an integral part of the financial statements

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit C-1

(Continued)

	Business-Type Activities					Governmental Activities Internal Service Funds
	Austin Energy	Austin Water	Airport	Nonmajor Enterprise Funds	Total	
NET POSITION						
Net investment in capital assets	\$ 568,463	1,981,415	558,358	909,639	4,017,875	87,986
Restricted for:						
Bond reserve	11,410	9,165	8,014	7,305	35,894	-
Capital projects	-	44,647	86,263	83,194	214,104	6,499
Debt service	62,321	54,411	37,427	8,607	162,766	-
Operating reserve	-	70,688	33,122	5,821	109,631	-
Passenger facility charges	-	-	149,536	-	149,536	-
Capital reserve	78,284	-	10,000	1,506	89,790	-
Contingency reserve	149,355	-	-	-	149,355	-
Power supply stabilization reserve	149,072	-	-	-	149,072	-
Unrestricted	797,353	18,091	319,492	(110,365)	1,024,571	119,175
Total net position	<u>\$ 1,816,258</u>	<u>2,178,417</u>	<u>1,202,212</u>	<u>905,707</u>	<u>6,102,594</u>	<u>213,660</u>
Reconciliation to government-wide Statement of Net Position						
Adjustment to consolidate internal service activities	38,720	19,498	7,159	33,869	99,246	
Total net position - Business-type activities	<u>\$ 1,854,978</u>	<u>2,197,915</u>	<u>1,209,371</u>	<u>939,576</u>	<u>6,201,840</u>	

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

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit C-2

	Business-Type Activities					Governmental Activities Internal Service Funds
	Austin Energy	Austin Water	Airport	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES						
Utility services	\$ 1,776,747	743,631	-	-	2,520,378	-
User fees and rentals	-	-	331,052	571,916	902,968	-
Billings to departments	-	-	-	-	-	719,129
Employee contributions	-	-	-	-	-	54,839
Lease revenue	-	112	22,486	391	22,989	6,863
Operating revenues from other governments	-	-	-	-	-	7,828
Other operating revenues	-	-	-	-	-	16,273
Total operating revenues	1,776,747	743,743	353,538	572,307	3,446,335	804,932
OPERATING EXPENSES						
Operating expenses before depreciation	1,168,277	276,353	147,982	338,996	1,931,608	759,349
Depreciation and amortization	225,808	157,797	53,186	37,228	474,019	40,213
Total operating expenses	1,394,085	434,150	201,168	376,224	2,405,627	799,562
Operating income (loss)	382,662	309,593	152,370	196,083	1,040,708	5,370
NONOPERATING REVENUES (EXPENSES)						
Interest and other income	51,510	18,530	38,347	25,826	134,213	4,021
Interest on revenue bonds and other debt	(83,284)	(81,886)	(56,184)	(3,897)	(225,251)	(15)
Interest expense on leases and IT subscriptions	(1,438)	(159)	(117)	(321)	(2,035)	(1,391)
Passenger facility charges	-	-	40,940	-	40,940	-
Loss on in-substance defeasance	-	(1,062)	-	-	(1,062)	-
Costs recovered	(246,850)	-	-	-	(246,850)	-
Other nonoperating revenues (expenses)	2,302	(5,034)	(398)	(77,551)	(80,681)	(1,269)
Total nonoperating revenues (expenses)	(277,760)	(69,611)	22,588	(55,943)	(380,726)	1,346
Income (loss) before contributions and transfers	104,902	239,982	174,958	140,140	659,982	6,716
Capital contributions	52,703	98,321	31,453	21,879	204,356	21,646
Transfers in	4,080	85	400	153,794	158,359	1,762
Transfers out	(135,504)	(58,146)	(741)	(27,549)	(221,940)	(13,234)
Change in net position	26,181	280,242	206,070	288,264	800,757	16,890
Beginning net position, as restated (see Note 21)	1,790,077	1,898,175	996,142	617,443	5,301,837	196,770
Ending net position	\$ 1,816,258	2,178,417	1,202,212	905,707	6,102,594	213,660
Reconciliation to government-wide Statement of Activities						
Change in net position	26,181	280,242	206,070	288,264	800,757	
Adjustment to consolidate internal service activities	218	(55)	(156)	5,379	5,386	
Change in net position - Business-type activities	\$ 26,399	280,187	205,914	293,643	806,143	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit C-3

	Business-Type Activities					Governmental Activities Internal Service Funds
	Austin Energy	Austin Water	Airport	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 1,888,720	724,689	345,308	563,434	3,522,151	84,975
Cash received from other funds	34,897	11,747	-	4,762	51,406	719,129
Cash payments to suppliers for goods and services	(919,841)	(120,982)	(71,357)	(125,652)	(1,237,832)	(152,954)
Cash payments to other funds	(77,900)	(92,000)	(47,125)	(116,169)	(333,194)	(29,931)
Cash payments to employees for services	(300,682)	(190,603)	(87,821)	(342,123)	(921,229)	(291,910)
Cash payments to claimants/beneficiaries	(227)	(421)	(28)	-	(676)	(279,862)
Taxes collected and remitted to other governments	(59,108)	-	-	-	(59,108)	-
Net cash provided (used) by operating activities	565,859	332,430	138,977	(15,748)	1,021,518	49,447
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in	4,025	75	-	153,644	157,744	1,325
Transfers out	(135,163)	(57,997)	(741)	(27,388)	(221,289)	(12,834)
Collections from other sources	79	287	-	-	366	-
Loans to other funds	-	(1,187)	-	-	(1,187)	-
Loans from other funds	1,187	-	-	-	1,187	-
Loan repayments to other funds	-	(5,952)	-	(301)	(6,253)	(4,556)
Loan repayments from other funds	10,451	301	-	-	10,752	57
Collections from other governments	3	1,414	-	1,146	2,563	502
Net cash provided (used) by noncapital financing activities	(119,418)	(63,059)	(741)	127,101	(56,117)	(15,506)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from the sale of commercial paper notes	223,193	277,500	-	-	500,693	-
Proceeds from the sale of general obligation bonds and other tax supported debt	-	-	-	14,931	14,931	-
Proceeds from the sale of revenue notes	-	-	60,000	-	60,000	-
Proceeds from the sale of revenue bonds	240,940	31,300	-	-	272,240	-
Principal paid on long-term debt	(88,167)	(57,033)	(34,430)	(16,424)	(196,054)	(138)
Principal paid on leases and IT subscriptions	(22,980)	(1,218)	(1,352)	(5,373)	(30,923)	(25,852)
Proceeds from the sale of capital assets	-	-	-	839	839	-
Interest paid on revenue bonds and other debt	(97,778)	(103,571)	(64,192)	(4,099)	(269,640)	(33)
Interest paid on leases and IT subscriptions	(1,029)	(177)	(80)	(299)	(1,585)	(1,342)
Interest income from leases	-	43	2,877	72	2,992	-
Passenger facility charges	-	-	42,400	-	42,400	-
Acquisition and construction of capital assets	(425,625)	(369,922)	(268,322)	(177,768)	(1,241,637)	(3,939)
Contributions from state and federal governments	-	-	20,757	13,666	34,423	-
Contributions in aid of construction	57,614	27,787	-	7,429	92,830	-
Bond issuance costs	-	(284)	-	(11)	(295)	-
Bond discounts	(1,769)	(108)	-	(101)	(1,978)	-
Bond premiums	24,197	-	-	1,023	25,220	-
Cash paid for bond defeasance	-	(40,202)	-	-	(40,202)	-
Cash paid for bond refunding escrow	-	-	-	(8,183)	(8,183)	-
Cash paid to payoff commercial paper	(263,500)	-	-	-	(263,500)	-
Cash paid for nuclear fuel inventory	(26,218)	-	-	-	(26,218)	-
Net cash provided (used) by capital and related financing activities	(381,122)	(235,885)	(242,342)	(174,298)	(1,033,647)	(31,304)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investment securities	(481,322)	(238,756)	(105,061)	(31,407)	(856,546)	-
Proceeds from sale and maturities of investment securities	441,361	227,142	107,857	12,730	789,090	-
Interest income (loss) on investments	18,768	15,258	32,024	25,291	91,341	3,764
Net cash provided (used) by investing activities	(21,193)	3,644	34,820	6,614	23,885	3,764
Net increase (decrease) in cash and cash equivalents	44,126	37,130	(69,286)	(56,331)	(44,361)	6,401
Cash and cash equivalents, beginning	497,112	393,017	912,163	734,254	2,536,546	239,220
Cash and cash equivalents, ending	\$ 541,238	430,147	842,877	677,923	2,492,185	245,621

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit C-3

(Continued)

	Business-Type Activities					Governmental Activities Internal Service Funds
	Austin Energy	Austin Water	Airport	Nonmajor Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 382,662	309,593	152,370	196,083	1,040,708	5,370
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	225,808	157,797	53,186	37,228	474,019	40,213
Change in assets and liabilities:						
Decrease in working capital advances	1,207	-	-	-	1,207	-
(Increase) decrease in accounts receivable	11,845	(8,827)	1,403	(3,388)	1,033	302
Increase in allowance for doubtful accounts	3,856	101	-	933	4,890	68
(Increase) decrease in leases receivable	-	89	25,528	753	26,370	(28,946)
(Increase) decrease in inventory	4,422	(850)	(147)	186	3,611	495
(Increase) decrease in prepaid expenses and other assets	6,061	(275)	444	1,566	7,796	(3,692)
Decrease in other long-term assets	9,942	-	1,595	116	11,653	-
Decrease in deferred outflows	99,910	60,285	12,129	128,456	300,780	59
Increase (decrease) in accounts payable	21,175	(1,253)	629	4,101	24,652	2,486
Increase in accrued payroll and compensated absences	1,410	1,618	861	1,100	4,989	1,903
Increase in claims payable	272	486	78	-	836	3,370
Increase (decrease) in customer deposits	5,765	1,442	(244)	(1,427)	5,536	-
Increase (decrease) in net pension liability	(7,310)	(407)	21,451	(5,672)	8,062	-
Decrease in other postemployment benefits liability	(230,205)	(163,841)	(81,249)	(328,250)	(803,545)	-
Increase (decrease) in other liabilities	5,061	-	(3,932)	(873)	256	71
Increase (decrease) in deferred inflows	23,978	(23,528)	(45,125)	(46,660)	(91,335)	27,748
Total adjustments	183,197	22,837	(13,393)	(211,831)	(19,190)	44,077
Net cash provided (used) by operating activities	\$ 565,859	332,430	138,977	(15,748)	1,021,518	49,447
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital assets contributed from other funds	\$ -	-	-	9,391	9,391	21,646
Capital assets contributed to other funds	-	(190)	-	(1,480)	(1,670)	(6)
Contributed facilities	-	70,534	-	-	70,534	-
Increase in the fair value of investments	378	-	-	-	378	-
Amortization of bond premiums	17,054	24,609	10,502	809	52,974	20
Amortization of deferred gain (loss) on refundings	663	(1,442)	(2,902)	(633)	(4,314)	(5)
Loss on disposal of assets	(3,086)	(6,497)	(564)	(77,715)	(87,862)	(1,263)
Costs recovered	(246,852)	-	-	-	(246,852)	-
Transfers from other funds	55	10	400	150	615	437
Transfers to other funds	(341)	(149)	-	(161)	(651)	(400)
Right-to-use capital assets acquired through lease and IT subscription liabilities	9,339	1,786	2,787	7,131	21,043	25,478
Lease and IT subscription liabilities incurred as a result of acquiring right-to-use capital assets	(9,339)	(1,786)	(2,787)	(7,131)	(21,043)	(25,478)

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

Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit D-1

	<u>Custodial</u>
ASSETS	
Pooled investments and cash	\$ 2,977
Other assets	<u>18</u>
Total assets	<u>2,995</u>
LIABILITIES	
Accounts payable	35
Due to other governments	<u>605</u>
Total liabilities	<u>640</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>2,355</u>
Total net position	<u>\$ 2,355</u>

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

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended September 30, 2025
(In thousands)

City of Austin, Texas
Exhibit D-2

	<u>Custodial</u>
ADDITIONS	
Contributions	\$ 34
Interest and other	90
Fees collected for other governments	1,593
Miscellaneous	14
Total additions	<u>1,731</u>
DEDUCTIONS	
Beneficiary payments	79
Payment of fees to other governments	1,593
Administrative expenses	88
Total deductions	<u>1,760</u>
Change in net position	(29)
Beginning net position	<u>2,384</u>
Ending net position	<u>\$ 2,355</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The City of Austin’s charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No.1 through No. 102.

GASB Statement		Impact
101 – “Compensated Absences”		This statement is intended to improve the recognition and measurement of compensated absences and to reduce inconsistencies in how governments account for these obligations. This statement defines compensated absences liability as leave that has been earned and is more likely than not to be used for time off or otherwise paid to the employee. The implementation of this standard resulted in a restatement to the beginning balances for compensated absences liabilities and a restatement of net position and fund balance (see Note 21).
102 – “Certain Disclosures”	Risk	This statement requires governments to disclose risks related to concentrations and constraints, such as a lack of diversity in resource inflows or limitations on raising revenue, that could make the government vulnerable to a risk of substantial impact. The implementation of this standard had no impact on the financial statements.

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

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

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

a. Reporting Entity

Blended Component Units – Following are the City’s blended component units.

<i>Blended Component Units</i>	<i>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</i>
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 the Texas 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. Blended into the activity of AHFC are the following wholly-owned legally separate entities dedicated to managing affordable housing projects: AHFC Anderson Village Non-Profit Corporation, AHFC Central Property Non-Profit Corporation, AHFC City View Investor Non-Profit Corporation, AHFC Midtown Non-Profit Corporation, AHFC Soco 121 Non-Profit Corporation, AHFC Villa Del Rey Non-Profit Corporation, and Austin Inner-City Redevelopment Corporation. Reporting Fund: Austin Housing Finance Corporation fund, a nonmajor special revenue fund.
Austin Housing Public Facility Corporation (AHPFC)	AHPFC was created in March 2022 as a nonprofit public facility corporation under the Texas Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code. The purpose of the AHPFC is to serve as an issuer of private activity bonds to finance all or part of the cost of affordable housing developments in the City of Austin. AHPFC is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit. Reporting Fund: Austin Housing Public Facility Corporation 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.
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.
Austin Public Facilities Corporation (APFC)	APFC was created in May 2023 as a nonprofit public facility corporation under the Texas Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code. The primary purpose of APFC is to assist the City in financing, refinancing, or providing for the costs of public facilities. APFC is governed by a board that is appointed by the City Council. In addition, City management has operational responsibilities for this component unit. Reporting Fund: APFC activity includes redevelopment costs for City-owned facilities, reported in the General Government Projects fund, a nonmajor capital projects fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

a. Reporting Entity, continued

<i>Blended Component Units</i>	<i>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</i>
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.
Nacogdoches Power, LLC (NP)	Austin Energy acquired Nacogdoches Power, LLC on June 13, 2019, which included the purchase of a 115 MW biomass power plant that was transferred to Austin Energy. NP provides renewable energy exclusively for the benefit of Austin Energy customers and Austin Energy staff serve as officers of the corporation. Additionally, Austin Energy is fiscally responsible for the obligations of NP, therefore NP is reported as a blended component unit in the Austin Energy enterprise fund. Reporting Fund: Austin Energy, a major proprietary fund.
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 a city. City Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City. Additionally, the City is fiscally responsible for the obligations of URA, therefore URA is reported as a blended component unit of the City. Reporting Fund: Urban Renewal Agency fund, a nonmajor special revenue fund.

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.

<i>Discretely Presented Component Units</i>	<i>Description of Activities, Relationship to City, and Key Inclusion Criteria</i>
12100 Metric LP (12MTLP) 1000 E. 11th St., Suite 200 Austin, TX 78702	12MTLP is a Texas limited partnership for which AHFC 12100 Metric Non-Profit Corporation, a blended component unit of AHFC, can impose a financial benefit or burden as a 27.67% general partner. 12MTLP follows applicable FASB standards. For presentation purposes, certain transactions are reflected differently in these financial statements to conform to the GASB presentation of the City.
Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) 3600 Presidential Blvd, Suite 411 Austin, TX 78719	ABLE is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ABLE does not constitute a debt or pledge of the faith and credit of the City.
Austin Convention Enterprises, Inc. (ACE) 500 East 4th Street Austin, TX 78701	ACE is a legally separate entity that owns, operates, and finances the Austin Convention Center Hotel. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ACE does not constitute a debt or pledge of the faith and credit of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

a. Reporting Entity, continued

<i>Discretely Presented Component Units</i>	<i>Description of Activities, Relationship to City, and Key Inclusion Criteria</i>
Austin Transit Partnership Local Government Corporation (ATP) 203 Colorado Street Austin, TX 78701	ATP is a legally separate entity created in December 2020 by the City and the Capital Metropolitan Transportation Authority (Capital Metro) under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of ATP is to serve as the independent entity responsible for the implementation of the Project Connect System Plan (Project Connect). The implementation of Project Connect is comprised of the financing, design, engineering, and construction of a fixed rail and bus transit system, including customer technology, park and ride hubs, on-demand neighborhood circulators, and associated improvements to roadways, bikeways, sidewalks, and street lighting. Project Connect also includes transit-supportive anti-displacement strategies for the purpose of preventing displacement and encouraging transit-oriented affordable housing along Project Connect transit corridors. ATP's Board is jointly appointed by the City and Capital Metro. ATP is fiscally dependent on the City and in a relationship of financial benefit/burden with the City. Additionally, the nature of ATP's relationship with the City is of significance, and exclusion from the City's financial statements would be misleading.
Austin Travis County Sobriety Center Local Government Corporation (SCLGC) 700 Lavaca Street Austin, TX 78701	SCLGC is a non-profit local government corporation created by the City and Travis County under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of SCLGC is to operate a sobriety center located within the City of Austin and Travis County. The City Council and the County each appoint five members of the SCLGC board. The operations of the Sobriety Center are primarily funded by the City. The SCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.
Central Housing, LP (CHLP) 1000 E. 11th St., Suite 200 Austin, TX 78702	CHLP is a Texas limited partnership for which AHFC Central Housing Non-Profit Corporation, a blended component unit of AHFC, can impose a financial benefit or burden as a 50% general partner. CHLP follows applicable FASB standards. For presentation purposes, certain transactions are reflected differently in these financial statements to conform to the GASB presentation of the City.
Cielo at North Domain, LP (CNDLP) 1000 E. 11th St., Suite 200 Austin, TX 78702	CNDLP is a Texas limited partnership for which AHFC Cielo at North Domain Non-Profit Corporation, a blended component unit of AHFC, can impose a financial benefit or burden as a 50% general partner. CNDLP follows applicable FASB standards. For presentation purposes, certain transactions are reflected differently in these financial statements to conform to the GASB presentation of the City.
Hyde Park Housing, LP (HPHLP) 1000 E. 11th St., Suite 200 Austin, TX 78702	HPHLP is a Texas limited partnership for which AHFC Hyde Park Non-Profit Corporation, a blended component unit of AHFC, can impose a financial benefit or burden as a 50% general partner. HPHLP follows applicable FASB standards. For presentation purposes, certain transactions are reflected differently in these financial statements to conform to the GASB presentation of the City.
Rally Austin (RA) 301 W. 2nd Street, Ste 2030 Austin, TX 78701	Rally Austin, formerly the Austin Economic Development Corporation, is a legally separate entity created in October 2020 by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of RA is to engage in socially beneficial real estate and economic development within the City. City Council has appointed the entity's initial Board and maintains the ability to remove members of the Board. RA is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.
Retreat at North Bluff, LP (RNBLP) 1000 E. 11th St., Suite 200 Austin, TX 78702	RNBLP is a Texas limited partnership for which AHFC Retreat Non-Profit Corporation, a blended component unit of AHFC, can impose a financial benefit or burden as a 50% general partner. RNBLP follows applicable FASB standards. For presentation purposes, certain transactions are reflected differently in these financial statements to conform to the GASB presentation of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

a. Reporting Entity, continued

<i>Discretely Presented Component Units</i>	<i>Description of Activities, Relationship to City, and Key Inclusion Criteria</i>
Waller Creek Local Government Corporation (WCLGC) 124 W. 8th Street Austin, TX 78701	WCLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of WCLGC is implementing the financing, design, construction, maintenance and operation of certain public improvements located within or around the Waller Creek Redevelopment Project district. The WCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City. There is no financial activity to report related to this component unit. 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 10) 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.

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

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

The City reports the following major governmental fund:

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

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

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

Debt Service Funds: Account for and report financial resources, and the accumulation of those financial resources, that are restricted to expenditures 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, property owners' participation and contributions, interest income, and other intergovernmental revenues. A 1981 ordinance requires the establishment of a separate fund for each bond proposition approved in each bond election.

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

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

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

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

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

Airport: Accounts for the operations of the Austin-Bergstrom International Airport.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Convention: Accounts for convention center and public event activities.

Environmental and health services: Accounts for solid waste services activities.

Public recreation: Accounts for golf activities.

Urban growth management: Accounts for development, drainage, and transportation activities.

Internal Service Funds: Account for the financing of goods or services provided by one City department or agency to other City departments or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, capital projects management, combined emergency center operations, employee health benefits, fleet services, information and technology 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:

Custodial Funds: Account for assets held by the City as an agent for individuals, private organizations, and other governmental units. Municipal Court service fees and unclaimed property make up the majority of assets accounted for in these funds.

d. Budget

The City Manager is required by the City Charter to present proposed operating and capital budgets to the City Council at least 30 days prior to October 1st, the beginning of the City's fiscal year. In addition, the City of Austin Charter mandates that a budget be adopted no later than September 27th for the next fiscal year. During the final adoption process, the City Council passes an appropriation ordinance and a tax-levying ordinance.

Annual budgets are legally adopted for the General Fund, certain special revenue funds, and debt service funds. The following types of special revenue funds do not have a legally adopted budget: funds whose revenue source is primarily donations or contributions from the public; funds used to account for escrow or performance deposits; funds controlled by another legal entity; and funds used to account for the repayment of certain loans. In addition, the City does not legally adopt an annual budget for the AHPFC. 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, AHFC, and grant funds, where appropriations remain authorized for the life of the projects, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment. Certain employee training and other fund-level expenditures are budgeted as general city responsibilities.

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

Investments – Investments can be reported at either fair value or amortized cost. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments in U.S. government and agency debt securities at fair value and money market mutual funds at amortized cost. Investments in local government investment pools are carried at either net asset value (NAV) or at amortized cost.

Accounts Receivable – Balances of accounts receivable, reported on the government-wide statement of net position, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. To assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2025 (in thousands):

	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Governmental activities				
Charges for services	\$ 478,906	1,072	2,826	482,804
Fines	10,669	-	-	10,669
Taxes	66,822	37,903	-	104,725
Other governments	-	1,509	-	1,509
Other	98	11,690	-	11,788
Allowance for doubtful accounts	(456,464)	(4,154)	(381)	(460,999)
Total	\$ 100,031	48,020	2,445	150,496

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

	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total
Business-type activities					
Accounts receivable	\$ 205,328	88,179	22,989	43,682	360,178
Allowance for doubtful accounts	(32,511)	(3,090)	(2,005)	(4,566)	(42,172)
Total	\$ 172,817	85,089	20,984	39,116	318,006

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”.

Inventories – Inventories are valued at cost using the average cost valuation method. Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued.

Prepaid Items – Prepaid items are payments made to vendors for services that will benefit periods beyond September 30, 2025. Prepaid items are recorded using the consumption method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

Public-Private Partnership Arrangements – Public-private and public-public partnerships, collectively referred to as PPPs, are arrangements in which a government (the transferor) contracts with an operator to provide public services by conveying the control of the right to operate a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. A service concession arrangement (SCA) is a PPP in which the transferor conveys the use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated by third parties; where the City determines what services are provided, to whom and for what price; and where the City retains a significant residual interest in the service utility of the asset after the SCA terminates.

PPP guidance generally requires the City to continue to report existing PPP assets as a capital asset; however, if the underlying asset is a new asset constructed by the operator, and does not meet the definition of a SCA, the City will recognize a receivable based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator. If the asset becomes the City's property when placed in service, it is classified as a capital asset. Additionally, a receivable, equal to the net present value of any future installment payments is recorded when the arrangement commences. A deferred inflow of resources is recognized as the sum of the receivables and is recorded concurrently with the recognition of the related assets.

Leases – Leases are defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus any applicable periods covered by any renewal options that are reasonably certain to be exercised, or options to terminate that are not reasonably certain to be exercised. Contracts that transfer ownership of the underlying asset are recognized as financed purchases in the financial statements. Leases that have a maximum term of less than 12 months are considered short-term leases. Short-term lease payments are recognized in the period of payment.

As a lessor, the City recognizes a lease receivable and a deferred inflow of resources. At the commencement of a lease, the lease receivable is recorded at the net present value of the future fixed lease payments, discounted at either the explicit interest rate in the agreement or the City's incremental borrowing rate at lease inception. The deferred inflow of resources is recognized as inflows (revenue) on a straight-line basis over the term of the lease.

As a lessee, the City recognizes a lease payable and an intangible right-to-use lease asset. At the commencement of a lease, the lease payable is recorded at the net present value of the future fixed lease payments, discounted at either the explicit interest rate in the agreement or the City's incremental borrowing rate at lease inception. The right-to-use asset is initially recorded at the amount of the lease liability plus any prepayments less lease incentives received prior to lease commencement. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Subscription-Based Information Technology Arrangements (SBITA) – SBITAs are defined as contracts that convey control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term is the period during which the City has a noncancellable right to use the underlying IT asset, plus any applicable periods covered by options to extend that are reasonably certain to be exercised, or options to terminate that are reasonably certain to not be exercised. The subscription term commences when the initial implementation stage is completed, and the subscription asset is placed into service. At commencement, the City recognizes a subscription liability and an intangible right-to-use subscription asset. The right-to-use asset is amortized on a straight-line basis over the term of the subscription arrangement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

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 reports in accordance with accounting for regulated operations, enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

The balances of restricted assets are as follows (in thousands):

	Governmental Activities	Business-Type Activities				Total Restricted Assets
		Austin Energy	Austin Water	Airport	Nonmajor Enterprise	
Capital projects	\$ 21,047	34,180	63,160	217,289	102,003	437,679
Customer and escrow deposits	5,523(1)	112,459	10,559	1,010	6,531	136,082
Debt service	35,786	96,460	91,344	61,339	8,957	293,886
Federal receivables	-	905	-	13,228	1,599	15,732
Housing activities	12,284	-	-	-	-	12,284
Operating reserve account	-	-	70,688	33,123	13,858	117,669
Passenger facility charge account	-	-	-	149,537	-	149,537
Perpetual care	1,071	-	-	-	-	1,071
Plant decommissioning	-	355,494	-	-	-	355,494
Public health activities	3,803	-	-	-	-	3,803
Public safety activities	9,859	-	-	-	-	9,859
Capital reserve	-	78,284	-	10,000	1,692	89,976
Revenue bond reserve	-	11,410	28,098	82,177	10,299	131,984
Revolving loan reserve	-	4,595	-	-	-	4,595
Contingency reserve	-	149,354	-	-	-	149,354
Power supply stabilization reserve	-	149,072	-	-	-	149,072
Tourism	1,241	-	-	-	-	1,241
Urban growth programs	18,223	-	-	-	-	18,223
Other purposes	7,951	195	-	-	-	8,146
Total	\$ 116,788	992,408	263,849	567,703	144,939	2,085,687

(1) Cash deficits in special revenue and capital projects funds resulting from pending reimbursements and bond proceeds were temporarily borrowed from the Fiscal Surety - Land Development Fund, which is reported as a special revenue fund. As a result, the restricted cash balance for customer and escrow deposits is less than the corresponding reported liability.

Capital Assets – Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, lease right-to-use, IT subscription, 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. The City capitalizes groups of similar assets purchased together if their total cost exceeds \$250,000, even if individual items are below the \$5,000 threshold. Assets purchased, internally generated, or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair value at the time received. Donated capital assets and assets received in service concession arrangements are reported at estimated acquisition value on the date of receipt. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred. Improvements and betterments that extend the useful lives of capital assets or increase their value are capitalized in the government-wide and proprietary statement of net position and expended in governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

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

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

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

(1) Nuclear fuel is amortized over units of production

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

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 \$25.7 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

Intangible right-to-use lease assets and IT subscription assets are amortized on a straight-line basis over the applicable lease or IT subscription term.

Regulatory Assets – In accordance with accounting for regulated operations, certain utility expenses are recorded as assets and amortized over future periods if they are intended to be recovered through future rates. These expenses include unrealized loss on investments, debt issuance costs, pension, other postemployment benefits, decommissioning and pass-through rates, such as the Power Supply Adjustment, Community Benefit Charge, and Regulatory Charge. Regulatory Assets will be recovered in 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

Other Assets – Other assets include amounts deposited in pre-closing escrow accounts and payments made as part of advance funding agreements for Austin Water and governmental activities construction projects. In addition, the City records its receivables from Public-Private Partnerships (PPPs), as well as unexercised trade-in credits as other assets.

Deferred Outflows (Inflows) of Resources – Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent an acquisition of net assets that applies to future periods, similar to liabilities.

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

Funds	Deferred Outflows		Deferred Inflows	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Asset Retirement Obligations (ARO) – When an ARO is recognized, a corresponding deferred outflow of resources is recognized and amortized over the remaining life of the corresponding tangible asset. Deferred outflows only.				
Governmental Activities	\$ 576	-	-	-
Austin Energy	-	177,288	-	-
Austin Water	-	964	-	-
Derivative Instruments – Derivative instruments are reported in the statement of net position at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred outflows or inflows in the statement of net position, as an offset to the related hedging derivative instrument. Can be deferred outflows or inflows.				
Austin Energy	-	890	-	1,404
Nonmajor Enterprise	-	754	-	-
Excess consideration – When a government acquires another entity in exchange for significant consideration, the amount of consideration that exceeds the net position acquired should be reported as a deferred outflow of resources and amortized over future periods.				
Austin Energy	-	1,360	-	-
Gain/loss on debt refundings – When debt is refunded, the associated gains (deferred inflows) or losses (deferred outflows) are recognized as deferred outflows or inflows of resources and amortized over future periods. Can be deferred outflows or inflows.				
Governmental Activities	3,685	-	5,407	-
Austin Energy	-	4,365	-	12,744
Austin Water	-	19,728	-	15,739
Airport	-	483	-	-
Nonmajor Enterprise	-	2,815	-	460
Leases – The resources related to the lease arrangements that will be recognized as revenue in future years over the terms of leases between the City and the operators are reported as deferred inflows of resources.				
Governmental Activities	-	-	78,358	-
Austin Water	-	-	-	1,338
Airport	-	-	-	150,174
Nonmajor Enterprise	-	-	-	2,832

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

Funds	Deferred Outflows		Deferred Inflows	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Other postemployment benefits – Changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds) may be treated as either deferred outflows or inflows. City benefit payments made between the measurement date (December 31) and the City’s fiscal year end (September 30) are recognized as deferred outflows. Can be deferred outflows or inflows.				
Governmental Activities	489,008	-	625,586	-
Austin Energy	-	97,313	-	133,316
Austin Water	-	75,703	-	88,779
Airport	-	47,555	-	48,905
Nonmajor Enterprise	-	161,812	-	194,478
Pensions – Differences between estimated and actual investment earnings, changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds), may be treated as either deferred outflows or inflows. Contributions made to the pension systems between the Plans’ measurement date (December 31) and the City’s fiscal year end (September 30) are recognized as deferred outflows. Can be deferred outflows or inflows.				
Governmental Activities	924,595	-	603,749	-
Austin Energy	-	125,945	-	91,522
Austin Water	-	77,278	-	44,162
Airport	-	48,226	-	18,885
Nonmajor Enterprise	-	147,132	-	89,945
Public-Private Partnership Arrangements – The resources related to the public-private partnership arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.				
Governmental Activities	-	-	164,794	-
Airport	-	-	-	197,242
Nonmajor Enterprise	-	-	-	948
Regulated operations – In accordance with accounting for regulated operations, certain credits to income are held as deferred inflows of resources until the anticipated matched charge is incurred. These credits include unrealized gain on investments, contributions, decommissioning, and pass-through rates.				
Austin Energy	-	-	-	765,842
Total	<u>\$ 1,417,864</u>	<u>\$ 989,611</u>	<u>\$ 1,477,894</u>	<u>\$ 1,858,715</u>
Totals by Fund				
Governmental Activities	1,417,864	-	1,477,894	-
Austin Energy	-	407,161	-	1,004,828
Austin Water	-	173,673	-	150,018
Airport	-	96,264	-	415,206
Nonmajor Enterprise	-	312,513	-	288,663
Grand Total	<u>\$ 1,417,864</u>	<u>989,611</u>	<u>1,477,894</u>	<u>1,858,715</u>

The governmental funds’ statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues \$(48.9) million that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

Compensated absences – The City implemented GASB Statement No. 101, Compensated Absences, in fiscal year 2025 and records a liability for compensated absences based on leave earned by employees, including vacation, sick leave, and other accrued leave that is more likely than not to be used or paid. Employees accrue leave throughout their employment in accordance with City policies and labor agreements. The liability is estimated using a last-in, first-out LIFO approach, which assumes that the most recently earned leave will be used or paid before earlier balances. This estimate incorporates current pay rates by employee classification, historical usage patterns, and applicable personnel policies, resulting in a liability that reflects the City's expected obligation for compensated absences. See Note 21.

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

	Workweek	Non-Sworn Employees (1)	Sworn Police (2)	Sworn Fire (3)	Sworn EMS (4)
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	240
	48	N/A	N/A	N/A	240
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160 (7)	160 (7)	176	160
	42	N/A	N/A	N/A	160
	48	N/A	N/A	N/A	160
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	900	720	1080
	42	N/A	N/A	N/A	1080
	48	N/A	N/A	N/A	1080
	53	N/A	N/A	1,080	N/A
Compensatory time (6)		120 (7)	120 (7)	120	120

(1) Non-sworn employees are eligible for accumulated sick leave payout if hired before October 1, 1986.

(2) Sworn officers hired before October 29, 2024 are eligible to receive up to 1,400 hours of sick leave payout with 16 years of City of Austin service, sworn officers hired on or after that date are eligible to receive up to 900 hours of sick leave payout with 16 years of service with the Austin Police. As of March 8, 2023, sworn Police employees 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.

(7) As of May 1, 2025, departments that elect to do so may pay out leave balances at the end of the fiscal year or upon a status change. Beginning October 1, 2026, all departments will be required to process leave balance payouts under this policy.

Other Postemployment Benefits (OPEB) – The City provides certain health care benefits for its retired employees and their families as more fully described in Note 11. At September 30, 2025, the City's total OPEB liability for these retiree benefits was approximately \$1.3 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 GAAP and in view of the expectation that the proprietary fund will provide resources to service the debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

Revenue bonds issued to finance capital projects of certain enterprise funds are to be repaid from select revenues of these funds. Note 9 contains more information about pledged revenues by fund. The corresponding debt is recorded in the applicable fund.

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

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt as a liability and the related deferred loss (gain) amount as deferred outflows (or deferred inflows) of resources on the statement of net position. Austin Energy recognizes gains and losses on debt in accordance with accounting for regulated operations.

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

Asset Retirement Obligations (AROs) – Austin Energy is reporting AROs related to the South Texas Project and the Fayette Power Project, Austin Water is reporting AROs related to wastewater treatment plants, and Fleet is reporting AROs related to petroleum underground storage tanks.

Other Liabilities – Other liabilities includes Austin Energy's ownership portion of the South Texas Project net pension liability and other postemployment benefits liability. Arbitrage liability is also included in Other liabilities.

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. The associated bad debt expense is as follows (in thousands):

	Bad Debt Expense
Austin Energy	\$ 9,611
Austin Water	1,536
Nonmajor Enterprise	3,221

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 pass-through rates that permit recovery of costs in the month incurred or in future months. The City reports pass-through costs on the same basis as it recognizes revenue. Unbilled revenue is recorded for Austin Energy by estimating the daily net load and allocating by each billing district meter read dates as of September 30, 2025. The amount of unbilled revenue reported in accounts receivable as of September 30, 2025 was \$45.9 million. Austin Water records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2025. The amount of unbilled revenue reported in accounts receivable as of September 30, 2025 was \$24.7 million for water and \$20.4 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. The associated discounts are as follows (in thousands):

	Discounts
Airport	\$ 449
Nonmajor Enterprise	3,953

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

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

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

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

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

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

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

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

Committed: The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by an ordinance, the highest-level action taken, adopted by the City Council. An equal action (ordinance) must be enacted to rescind the commitment. The City Council is the highest level of decision-making authority.

Assigned: The portion of fund balance that is constrained by the City's intent to use for specific purposes but are neither restricted nor committed. Under the City charter, the City Manager is authorized to assign individual amounts up to \$76,000 in fiscal year 2025 to a specific purpose. This amount is reviewed annually and subject to be updated based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average.

Unassigned: The portion of fund balance that is not restricted, committed, or assigned to specific purposes; only the General Fund reports a positive unassigned fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

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

	General Fund	Nonmajor Governmental			Permanent	Total
		Special Revenue	Debt Service	Capital Projects		
Nonspendable						
Prepaid items	\$ 2,706	-	-	1,469	-	4,175
Permanent funds	-	-	-	-	1,070	1,070
Total Nonspendable	2,706	-	-	1,469	1,070	5,245
Restricted						
Municipal court services	-	745	-	-	-	745
General government services	-	21	-	-	-	21
Fire special purpose	-	67	-	-	-	67
Police special purpose	-	9,790	-	-	-	9,790
Transportation, planning, and sustainability	-	1,208	-	-	-	1,208
Public health services	-	3,795	-	-	-	3,795
Library services	-	5,729	-	-	1	5,730
Parks services	-	852	-	-	-	852
Tourism programs	-	108,180	-	-	-	108,180
Affordable housing programs	-	99,327	-	-	-	99,327
Urban growth programs	-	29,025	-	-	-	29,025
Capital construction	-	-	-	125,272	-	125,272
Debt service	-	-	35,100	-	-	35,100
Total Restricted	-	258,739	35,100	125,272	1	419,112
Committed						
Urban growth programs	-	155,086	-	-	-	155,086
Total Committed	-	155,086	-	-	-	155,086
Assigned						
Municipal court services	3,050	-	-	-	-	3,050
EMS activities	617	-	-	-	-	617
Fire activities	312	-	-	-	-	312
Police activities	5,927	-	-	-	-	5,927
Public health services	28,630	-	-	-	-	28,630
Library services	2,176	-	-	-	-	2,176
Parks services	2,636	-	-	-	-	2,636
Tourism programs	-	3	-	-	-	3
Affordable housing programs	573	2,583	-	-	-	3,156
Urban growth programs	167,111	1,973	-	-	-	169,084
Capital construction	58	-	-	211,192	-	211,250
Total Assigned	211,090	4,559	-	211,192	-	426,841
Unassigned	192,102	(18,217)	-	(801,908)	-	(628,023)
Total Fund Balance	<u>\$ 405,898</u>	<u>400,167</u>	<u>35,100</u>	<u>(463,975)</u>	<u>1,071</u>	<u>378,261</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e. Financial Statement Elements, continued

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.

Budgetary Reserve Funds – By formal action of City Council, the General Fund maintains two reserve funds; a budget stabilization reserve and an emergency reserve fund. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2025, the budget stabilization reserve reports a balance of \$112.2 million, the emergency reserve maintains a balance of ten percent of total General Fund requirements, or \$142.6 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other one-time costs if the reserve exceeds 7% of total General Fund requirements, but such appropriation should not exceed one-third of the total amount in the reserve.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in local government investment pools (LGIPs) and cash accounts. The City considers the LGIPs to be highly liquid, similar to a money market mutual fund.

Pensions – For purposes of measuring the net pension liability, deferred inflows and outflows 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 10).

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, but the City does purchase stop-loss insurance for the City’s PPO, HMO, and CDHP plans.

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 17).

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 12.

f. COVID-19 Response Funding

American Rescue Plan Act - Coronavirus State and Local Fiscal Recovery Fund (SLFRF) – The City was allocated and received \$188.5 million in federal funding from SLFRF administered by the US Department of the Treasury. Through the end of the fiscal year, the City expended \$172 million. The City obligated all of the \$188.5 million by December 31, 2024. SLFRF will provide relief services and assistance to Austin residents, creatives, non-profits, and businesses to address the needs created by this public health emergency.

g. Comparative Data

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

h. Use of Estimates

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

2. POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2025 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	\$ 169,452	-
Nonmajor governmental funds	90,313	-
Austin Energy	345,872	190,759
Austin Water	299,511	112,550
Airport	438,545	404,330
Nonmajor enterprise funds	572,916	104,992
Internal service funds	237,816	7,222
Fiduciary funds	2,977	-
Subtotal pooled investments and cash	<u>2,157,402</u>	<u>819,853</u>
Total pooled investments and cash	<u>\$ 2,977,255</u>	

3. INVESTMENTS AND DEPOSITS

a. Investments

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

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

The City Treasurer submits an investment report each quarter to the Investment committee. Members of the Investment Committee include the Director of Austin Financial Services (as chair), the City Treasurer (as vice chair), Deputy Treasurer over Investment Management, Division Chief over Debt Management, representation from Accounting and Financial Reporting, a public sector investment expert, a Financial Advisor's representative, a representative from Austin Energy, a representative from Austin Water, and a representative from the Law Department. The report details the investment position of the City and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

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;

3. INVESTMENTS AND DEPOSITS, continued

a. Investments, continued

5. Bankers' acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, are eligible collateral for borrowing from a Federal Reserve Bank, and are accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 365 days or less from the date of its issuance that is either rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by depository institutions that have a main office or branch office in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Share certificates issued by a depository institution that has a main office or branch office in Texas;
10. Money market mutual funds;
11. Local government investment pools (LGIPs); and
12. Securities lending program.

The City did not participate in any reverse repurchase agreements or security lending arrangements during fiscal year 2025.

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

The City participates in TexPool/TexPool Prime, TexasDAILY, TexStar, and Texas CLASS (collectively referred to as the LGIPs). There is no federal regulatory oversight for any of the LGIPs but all must obtain and retain a AAAm or equivalent rating, each provides audited Annual Finance Reports with an opinion from an independent auditor, and each has a form of independent oversight. The State Comptroller oversees TexPool/TexPool Prime, with Federated Hermes managing the daily operations of the pool under a contract with the State Comptroller. The Texas Range Investment Program has an advisory board consisting of participants or their designees which maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and Hilltop Securities, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors. Public Trust Advisors, LLC serves as the program administrator of Texas CLASS under a Trust Agreement with the Board of Trustees.

The City invests in LGIPs to provide its liquidity needs. The LGIPs were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. The LGIPs are structured like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are adjusted on a daily basis, and the funds seek to maintain a constant NAV of \$1.00, although this cannot be fully guaranteed. The LGIPs are rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2025, TexPool, TexPool Prime, TexasDAILY, TexStar, and Texas CLASS had a weighted average maturity of 44 days, 51 days, 46 days, 50 days, and 43 days, respectively. The City's LGIP investments are not subject to limitations, penalties, or restrictions on withdrawals outside emergency conditions that make the sale of assets or determination of fund NAV not reasonably practical, and therefore, the City considers holdings in these funds to have an effective weighted average maturity of one day.

Certain external investment pools and pool participants have an option to measure these investment pools at amortized cost rather than fair value if certain criteria are met. All City LGIPs are qualifying pools for these purposes. TexPool, TexPool Prime, and TexasDAILY opted to report at amortized cost, while TexStar, and Texas CLASS measure their investments at fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are unobservable inputs.

3. INVESTMENTS AND DEPOSITS, continued

a. Investments, continued

The City has the following recurring fair value measurements as of September 30, 2025:

- U.S. Treasury securities of \$2.7 billion are valued using quoted prices (unadjusted) in active markets for identical financial assets which the City can access at the measurement date (Level 1 inputs).
- U.S. Agency securities of \$422.1 million are valued using other observable inputs, including but not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing (Level 2 inputs).

As of September 30, 2025, the City presented Money Market Funds of \$82.5 million, LGIPs of \$885.2 million valued using amortized cost, and LGIPs of \$52.4 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2025 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	\$ 31,214	465,437	-	496,651
Money Market Funds	12,921	69,615	-	82,536
US Treasury Notes	-	445,609	-	445,609
US Treasury Bills	-	18,251	-	18,251
US Agency Bonds	-	72,597	-	72,597
US Agency Discounts Notes	-	9,911	-	9,911
Total non-pooled investments	44,135	1,081,420	-	1,125,555
Pooled investments:				
Local Government Investment Pools	74,757	365,731	416	440,904
US Treasury Notes	371,662	1,818,152	2,192	2,192,006
US Treasury Bills	4,994	24,431	30	29,455
US Agency Bonds	44,191	216,179	260	260,630
US Agency Discount Notes	13,394	65,524	79	78,997
Total pooled investments	508,998	2,490,017	2,977	3,001,992
Total investments	\$ 553,133	3,571,437	2,977	4,127,547

Concentration of Credit Risk

At September 30, 2025, 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 issuer: Federal Farm Credit Bank (\$250.7 million or 6.2%), which includes discount notes of \$68.9 million that will mature in less than one year.

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

1. Operating funds excluding special project funds,
2. Debt service funds,
3. Debt service reserve funds, and
4. Special project funds or special purpose funds.

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

3. INVESTMENTS AND DEPOSITS, continued

b. Investment Categories

As of September 30, 2025, 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 (days)
Operating funds					
Local Government Investment Pools	\$ 74,757	365,731	416	440,904	1
US Treasury Notes	371,662	1,818,152	2,192	2,192,006	493
US Treasury Bills	4,994	24,431	30	29,455	178
US Agency Bonds	44,191	216,179	260	260,630	789
US Agency Discount Notes	13,394	65,524	79	78,997	122
Total operating funds	<u>508,998</u>	<u>2,490,017</u>	<u>2,977</u>	<u>3,001,992</u>	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	31,214	-	-	31,214	1
Utility (1)					
Local Government Investment Pools	-	187,813	-	187,813	1
Airport					
Local Government Investment Pools	-	61,332	-	61,332	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	-	8,932	-	8,932	1
Total debt service funds	<u>31,214</u>	<u>258,077</u>	<u>-</u>	<u>289,291</u>	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	-	14,514	-	14,514	1
Money Market Funds	-	5,369	-	5,369	1
Airport					
Local Government Investment Pools	-	82,379	-	82,379	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	-	10,299	-	10,299	1
Total debt service reserve funds	<u>-</u>	<u>112,561</u>	<u>-</u>	<u>112,561</u>	
Special projects/purpose funds					
Austin Energy Contingency, Power Supply, and Capital Reserve					
Local Government Investment Pools	-	100,168	-	100,168	1
US Treasury Notes	-	215,839	-	215,839	491
US Agency Bonds	-	60,574	-	60,574	757
Total Austin Energy Contingency, Power Supply, and Capital Reserve	-	376,581	-	376,581	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	-	23,025	-	23,025	1
US Treasury Notes	-	229,770	-	229,770	370
US Treasury Bills	-	18,251	-	18,251	242
US Agency Bonds	-	12,023	-	12,023	117
US Agency Discount Notes	-	9,911	-	9,911	82
Total Austin Energy NDTF	-	292,980	-	292,980	
Special Projects - Other					
Money Market Funds	12,921	41,221	-	54,142	1
Total Special Projects	12,921	41,221	-	54,142	
Total special projects/purpose funds	<u>12,921</u>	<u>710,782</u>	<u>-</u>	<u>723,703</u>	
Total funds	<u>\$ 553,133</u>	<u>3,571,437</u>	<u>2,977</u>	<u>4,127,547</u>	

(1) Includes combined pledge debt service

Credit Risk

At September 30, 2025, City funds held investments in LGIPs and Money Market Funds rated AAAM by S&P Global Ratings or AAAmmf by Fitch Ratings, Inc., short-to-medium term U.S. Agency bonds rated AA+ by S&P Global Ratings, and the remaining investments in Treasury securities, which are direct obligations of the U.S. government.

3. INVESTMENTS AND DEPOSITS, continued

b. Investment Categories, continued

Concentration of Credit Risk

Operating Funds

At September 30, 2025, the operating funds held investments with more than five percent of the total portfolio in securities of the following issuer (in millions): Federal Farm Credit Bank (\$189.3 or 6.3%).

Special Projects or Special Purpose Funds

At September 30, 2025, the Austin Energy Contingency, Power Supply, and Capital Reserve Fund held investments with more than five percent of the total in securities of the following issuer (in millions): Federal Farm Credit Bank (\$39.5 or 10.5%).

At September 30, 2025, the Nuclear Decommissioning Trust Fund held investments with more than five percent of the total in securities of the following issuer (in millions): Federal Farm Credit Bank (\$21.9 or 7.5%).

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 720 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. Five years is the maximum period before maturity.

At September 30, 2025, 14.7% 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 five years from the purchase date. The dollar weighted average maturity of all securities was 433 days, which was less than the threshold of 720 days.

Debt Service Funds

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

Debt Service Reserve Funds

Investment strategies for debt service reserve funds have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by bond ordinance specific to an individual issue, securities should be of high quality, with short-term to intermediate-term maturities.

Special Projects or Special Purpose Funds

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

Special Purpose Funds - Austin Energy Contingency, Power Supply, and Capital Reserve Fund

At September 30, 2025, 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 404 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 dictate. At September 30, 2025, the dollar weighted average maturity was 313 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, 2025, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	\$ 60,519	1,104,130	-	1,164,649
Pooled investments and cash	509,895	2,494,408	2,977	3,007,280
Total investments and cash	<u>570,414</u>	<u>3,598,538</u>	<u>2,977</u>	<u>4,171,929</u>
Unrestricted cash	43	9,900	-	9,943
Restricted cash	16,341	12,810	-	29,151
Pooled investments and cash	509,895	2,494,408	2,977	3,007,280
Investments	44,135	1,081,420	-	1,125,555
Total	<u>\$ 570,414</u>	<u>3,598,538</u>	<u>2,977</u>	<u>4,171,929</u>

The bank balance of the portfolio exceeds the book balance by approximately \$30 million (net), which primarily consists of outstanding checks and deposits in transit. The outstanding checks decrease the book balance as compared to the bank, whereas the deposits in transit increase it. The difference eliminates once both the outstanding checks and deposits in transit clear the bank.

Deposits

The September 30, 2025 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	\$ 43	30	73
Restricted	-	4,595	4,595
Cash held by trustee			
Unrestricted	-	9,870	9,870
Restricted	16,341	8,215	24,556
Non-pooled cash	16,384	22,710	39,094
Pooled cash	897	4,391	5,288
Total deposits	<u>\$ 17,281</u>	<u>27,101</u>	<u>44,382</u>

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2025.

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, 2024, upon which the 2025 levy was based, was \$233,405,019,350.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2025, 99.08% of the current tax levy (October 1, 2024) was collected. The statutory lien date is January 1.

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

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

The City is authorized to set tax rates on property within the city limits. State law governing municipalities' authority to increase property tax rates was changed during 2019. Effective 2021, any increase in the property tax rate for maintenance and operations of more than 3.5% above the no-new-revenue-property tax rate requires voter approval on the November general election ballot. The no-new-revenue rate is the rate at which the City would generate the same amount of property tax revenue for maintenance and operations as in the prior year from properties taxed in both years, net of certain adjustments. The City has the ability to set its debt service tax rate at the level necessary to generate sufficient revenue to make its payments on voter-approved bonds, certificates of obligation, and other contractual obligations.

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

The tax rate to finance general governmental functions and fund Project Connect, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2025, was \$0.3815 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, 2025, was \$0.0961 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$0.6185 per \$100 assessed valuation and could levy approximately \$1,443,610,045 in additional taxes from the assessed valuation of \$233,405,019,350 before the legislative limit is reached.

5. CAPITAL ASSETS AND INFRASTRUCTURE

a. Capital Assets

Governmental Activities

Capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 1,743,853	290,331	(1,530)	2,032,654
Plant and equipment	243,055	28,198	(41,199)	230,054
Vehicles	227,956	34,148	(19,986)	242,118
Infrastructure	3,616,378	138,928	-	3,755,306
Intangible assets:				
Right-to-use leased assets	110,143	3,313	(24,828) (2)	88,628
Right-to-use IT subscriptions	108,371	35,471	(23,889) (2)	119,953
Total depreciable capital assets	6,049,756	530,389	(111,432)	6,468,713
Less accumulated depreciation/amortization for				
Building and improvements	(630,677)	(51,236)	782	(681,131)
Plant and equipment	(153,610)	(20,270)	20,180	(153,700)
Vehicles	(131,062)	(19,611)	17,749	(132,924)
Infrastructure	(1,787,683)	(97,869)	-	(1,885,552)
Intangible assets:				
Right-to-use leased assets	(35,112)	(11,193)	24,446 (2)	(21,859)
Right-to-use IT subscriptions	(45,324)	(26,777)	22,471 (2)	(49,630)
Total accumulated depreciation/amortization	(2,783,468)	(226,956) (3)	85,628	(2,924,796)
Depreciable capital assets, net	3,266,288	303,433	(25,804)	3,543,917
Nondepreciable capital assets				
Land and improvements	732,728	76,733	-	809,461
Arts and treasures	13,429	1,394	-	14,823
Library collections	18,167	-	-	18,167
Construction in progress	532,744	444,643	(433,182)	544,205
Development in progress	10,353	2,141	(10,625)	1,869
Total nondepreciable assets	1,307,421	524,911	(443,807)	1,388,525
Total capital assets	<u>\$ 4,573,709</u>	<u>828,344</u>	<u>(469,611)</u>	<u>4,932,442</u>

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

(2) The components of right-to-use capital assets and the associated amortization are disclosed in Note 5b on page 69.

(3) Components of accumulated depreciation/amortization increases:

Governmental Activities:

General government	\$ 16,013
Public safety	26,998
Transportation, planning and sustainability	77,803
Public health	6,161
Public recreation and culture	32,234
Urban growth management	27,534
Internal service funds	40,213
Total increases in accumulated depreciation/amortization	<u>\$ 226,956</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

a. Capital Assets, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 3,582,613	149,467	(202,430)	3,529,650
Plant and equipment	5,088,153	276,955	(42,451)	5,322,657
Vehicles	299,322	34,070	(16,616)	316,776
Electric plant	6,474,745	329,249	(27,916)	6,776,078
Non-electric plant	371,041	12,090	(821)	382,310
Nuclear fuel	528,721	26,219	-	554,940
Water rights	100,000	-	-	100,000
Intangible assets:				
Right-to-use leased assets	44,157	30,638	(845)(2)	73,950
Right-to-use IT subscriptions	44,292	28,335	(547)(2)	72,080
Total depreciable capital assets	<u>16,533,044</u>	<u>887,023</u>	<u>(291,626)</u>	<u>17,128,441</u>
Less accumulated depreciation/amortization for				
Building and improvements	(1,290,509)	(83,540)	130,669	(1,243,380)
Plant and equipment	(2,320,668)	(136,162)	30,701	(2,426,129)
Vehicles	(172,354)	(24,554)	16,060	(180,848)
Electric plant	(4,017,550)	(186,429)	27,534	(4,176,445)
Non-electric plant	(141,047)	(13,705)	821	(153,931)
Nuclear fuel	(468,197)	(21,911)	-	(490,108)
Water rights	(24,691)	(988)	-	(25,679)
Intangible assets:				
Right-to-use leased assets	(15,833)	(12,056)	328 (2)	(27,561)
Right-to-use IT subscriptions	(13,888)	(16,585)	547 (2)	(29,926)
Total accumulated depreciation/amortization	<u>(8,464,737)</u>	<u>(495,930)(3)</u>	<u>206,660</u>	<u>(8,754,007)</u>
Depreciable capital assets, net	<u>8,068,307</u>	<u>391,093</u>	<u>(84,966)</u>	<u>8,374,434</u>
Nondepreciable capital assets				
Land and improvements	876,883	69,628	(803)	945,708
Arts and treasures	7,991	-	(374)	7,617
Construction in progress	1,322,151	1,130,706	(641,076)	1,811,781
Development in progress	35	-	(35)	-
Plant held for future use	22,595	-	-	22,595
Total nondepreciable assets	<u>2,229,655</u>	<u>1,200,334</u>	<u>(642,288)</u>	<u>2,787,701</u>
Total capital assets	<u>\$ 10,297,962</u>	<u>1,591,427</u>	<u>(727,254)</u>	<u>11,162,135</u>

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

(2) The components of right-to-use capital assets and the associated amortization are disclosed in Note 5b on page 70.

(3) Components of accumulated depreciation/amortization increases:

Business-type Activities:

Electric	\$ 225,808
Water	77,257
Wastewater	80,540
Airport	53,186
Convention	9,489
Environmental and health services	12,193
Public recreation	1,437
Urban growth management	14,109
Current year depreciation/amortization	474,019
Current year amortization included in operating expense	21,911
Total increases in accumulated depreciation/amortization	<u>\$ 495,930</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

a. Capital Assets, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	\$ 45,819	6,098	(2,517)	49,400
Electric plant	6,474,745	329,249	(27,916)	6,776,078
Non-electric plant	371,041	12,090	(821)	382,310
Nuclear fuel	528,721	26,219	-	554,940
Intangible assets:				
Right-to-use leased assets	29,524	30,638	(459)(1)	59,703
Right-to-use IT subscriptions	24,760	16,224	- (1)	40,984
Total depreciable capital assets	7,474,610	420,518	(31,713)	7,863,415
Less accumulated depreciation/amortization for				
Vehicles	(23,867)	(4,220)	2,468	(25,619)
Electric plant	(4,017,550)	(186,429)	27,534	(4,176,445)
Non-electric plant	(141,047)	(13,705)	821	(153,931)
Nuclear fuel	(468,197)	(21,911)	-	(490,108)
Intangible assets:				
Right-to-use leased assets	(10,521)	(9,928)	328 (1)	(20,121)
Right-to-use IT subscriptions	(9,163)	(11,526)	- (1)	(20,689)
Total accumulated depreciation/amortization	(4,670,345)	(247,719)(2)	31,151	(4,886,913)
Depreciable capital assets, net	2,804,265	172,799	(562)	2,976,502
Nondepreciable capital assets				
Land and improvements	85,440	16,990	-	102,430
Construction in progress	307,507	364,639	(286,215)	385,931
Plant held for future use	22,595	-	-	22,595
Total nondepreciable assets	415,542	381,629	(286,215)	510,956
Total capital assets	<u>\$ 3,219,807</u>	<u>554,428</u>	<u>(286,777)</u>	<u>3,487,458</u>

(1) The components of right-to-use capital assets and the associated amortization are disclosed in Note 5b on page 71.

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation/amortization	\$ 225,808
Current year amortization included in operating expense	21,911
Total increases in accumulated depreciation/amortization	<u>\$ 247,719</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

a. Capital Assets, continued

Business-type Activities: Austin Water

Capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 1,324,754	84,988	(9,226)	1,400,516
Plant and equipment	4,754,305	259,144	(22,130)	4,991,319
Vehicles	57,652	3,887	(2,355)	59,184
Water rights	100,000	-	-	100,000
Intangible assets:				
Right-to-use leased assets	1,297	-	(386)(1)	911
Right-to-use IT subscriptions	6,335	1,786	- (1)	8,121
Total depreciable capital assets	6,244,343	349,805	(34,097)	6,560,051
Less accumulated depreciation/amortization for				
Building and improvements	(479,195)	(28,014)	7,552	(499,657)
Plant and equipment	(2,167,843)	(123,345)	17,289	(2,273,899)
Vehicles	(34,841)	(4,055)	2,197	(36,699)
Water rights	(24,691)	(988)	-	(25,679)
Intangible assets:				
Right-to-use leased assets	(513)	(178)	- (1)	(691)
Right-to-use IT subscriptions	(1,166)	(1,217)	- (1)	(2,383)
Total accumulated depreciation/amortization	(2,708,249)	(157,797)(2)	27,038	(2,839,008)
Depreciable capital assets, net	3,536,094	192,008	(7,059)	3,721,043
Nondepreciable capital assets				
Land and improvements	257,968	43,600	(190)	301,378
Arts and treasures	314	-	-	314
Construction in progress	614,243	317,116	(271,342)	660,017
Total nondepreciable assets	872,525	360,716	(271,532)	961,709
Total capital assets	<u>\$ 4,408,619</u>	<u>552,724</u>	<u>(278,591)</u>	<u>4,682,752</u>

(1) The components of right-to-use capital assets and the associated amortization are disclosed in Note 5b on page 72.

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation/amortization	
Water	\$ 77,257
Wastewater	80,540
Total increases in accumulated depreciation/amortization	<u>\$ 157,797</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

a. Capital Assets, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 1,865,656	53,511	-	1,919,167
Plant and equipment	49,395	1,515	(1,666)	49,244
Vehicles	22,561	3,769	(2,392)	23,938
Intangible assets:				
Right-to-use IT subscriptions	3,880	2,787	(547)(1)	6,120
Total depreciable capital assets	1,941,492	61,582	(4,605)	1,998,469
Less accumulated depreciation/amortization for				
Building and improvements	(586,773)	(46,897)	-	(633,670)
Plant and equipment	(26,196)	(2,807)	1,442	(27,561)
Vehicles	(14,833)	(1,887)	2,247	(14,473)
Intangible assets:				
Right-to-use IT subscriptions	(921)	(1,595)	547 (1)	(1,969)
Total accumulated depreciation/amortization	(628,723)	(53,186)(2)	4,236	(677,673)
Depreciable capital assets, net	1,312,769	8,396	(369)	1,320,796
Nondepreciable capital assets				
Land and improvements	96,381	-	-	96,381
Arts and treasures	6,938	-	-	6,938
Construction in progress	292,121	300,251	(55,420)	536,952
Total nondepreciable assets	395,440	300,251	(55,420)	640,271
Total capital assets	<u>\$ 1,708,209</u>	<u>308,647</u>	<u>(55,789)</u>	<u>1,961,067</u>

(1) The components of right-to-use capital assets and the associated amortization are disclosed in Note 5b on page 72.

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation/amortization \$ 53,186

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

a. Capital Assets, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	\$ 392,203	10,968	(193,204)	209,967
Plant and equipment	284,453	16,296	(18,655)	282,094
Vehicles	173,290	20,316	(9,352)	184,254
Intangible assets:				
Right-to-use leased assets	13,336	-	- (2)	13,336
Right-to-use IT subscriptions	9,317	7,538	- (2)	16,855
Total depreciable capital assets	872,599	55,118	(221,211)	706,506
Less accumulated depreciation/amortization for				
Building and improvements	(224,541)	(8,629)	123,117	(110,053)
Plant and equipment	(126,629)	(10,010)	11,970	(124,669)
Vehicles	(98,813)	(14,392)	9,148	(104,057)
Intangible assets:				
Right-to-use leased assets	(4,799)	(1,950)	- (2)	(6,749)
Right-to-use IT subscriptions	(2,638)	(2,247)	- (2)	(4,885)
Total accumulated depreciation/amortization	(457,420)	(37,228)(3)	144,235	(350,413)
Depreciable capital assets, net	415,179	17,890	(76,976)	356,093
Nondepreciable capital assets				
Land and improvements	437,094	9,038	(613)	445,519
Arts and treasures	739	-	(374)	365
Construction in progress	108,280	148,700	(28,099)	228,881
Development in progress	35	-	(35)	-
Total nondepreciable assets	546,148	157,738	(29,121)	674,765
Total capital assets	<u>\$ 961,327</u>	<u>175,628</u>	<u>(106,097)</u>	<u>1,030,858</u>

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

(2) The components of right-to-use capital assets and the associated amortization are disclosed in Note 5b on page 73.

(3) Components of accumulated depreciation/amortization increases:

Current year depreciation/amortization	
Convention	\$ 9,489
Environmental and health services	12,193
Public recreation	1,437
Urban growth management	14,109
Total increases in accumulated depreciation/amortization	<u>\$ 37,228</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

b. Right-to-Use Capital Assets

Governmental Activities

Intangible right-to-use capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use capital assets				
Buildings	\$ 88,493	1,109	(22,998)	66,604
Infrastructure	1,727	-	-	1,727
Land	13,355	-	-	13,355
Equipment	561	-	(561)	-
Computer Equipment	6,007	2,204	(1,269)	6,942
Software	108,371	35,471	(23,889)	119,953
Total intangible right-to-use capital assets	218,514	38,784	(48,717)	208,581
Less accumulated amortization for:				
Buildings	(30,617)	(8,619)	23,000	(16,236)
Infrastructure	(513)	(171)	-	(684)
Land	(510)	(191)	-	(701)
Equipment	(115)	(62)	177	-
Computer Equipment	(3,357)	(2,150)	1,269	(4,238)
Software	(45,324)	(26,777)	22,471	(49,630)
Total accumulated amortization	(80,436)	(37,970)(1)	46,917	(71,489)
Governmental activities, net	<u>\$ 138,078</u>	<u>814</u>	<u>(1,800)</u>	<u>137,092</u>

(1) Components of accumulated amortization increases:

Governmental Activities:

General government	\$ 3,937
Public safety	3,051
Transportation, planning and sustainability	51
Public health	3,522
Public recreation and culture	729
Urban growth management	869
Internal service funds	25,811
Total increases in accumulated amortization	<u>\$ 37,970</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

b. Right-to-Use Capital Assets, continued

Business-type Activities: Total

Intangible right-to-use capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use assets				
Buildings	\$ 15,534	57	(845)	14,746
Land	528	1,300	-	1,828
Equipment	4,862	248	-	5,110
Vehicles	18,029	27,041	-	45,070
Computer Equipment	5,204	1,992	-	7,196
Software	44,292	28,335	(547)	72,080
Total intangible right-to-use capital assets	88,449	58,973	(1,392)	146,030
Less accumulated amortization for:				
Buildings	(5,717)	(1,802)	328	(7,191)
Land	(125)	(1,233)	-	(1,358)
Equipment	(2,527)	(960)	-	(3,487)
Vehicles	(4,581)	(7,010)	-	(11,591)
Computer Equipment	(2,883)	(1,051)	-	(3,934)
Software	(13,888)	(16,585)	547	(29,926)
Total accumulated amortization	(29,721)	(28,641)(1)	875	(57,487)
Business-type activities, net	<u>\$ 58,728</u>	<u>30,332</u>	<u>(517)</u>	<u>88,543</u>

(1) Components of accumulated amortization increases:

Business-type Activities:

Electric	\$ 21,454
Water	1,096
Wastewater	299
Airport	1,595
Convention	311
Environmental and health services	844
Public recreation	780
Urban growth management	2,262
Total increases in accumulated amortization	<u>\$ 28,641</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

b. Right-to-Use Capital Assets, continued

Business-type Activities: Austin Energy

Intangible right-to-use capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use capital assets				
Buildings	\$ 5,996	57	(459)	5,594
Land	528	1,300	-	1,828
Equipment	2,505	248	-	2,753
Vehicles	16,017	27,041	-	43,058
Computer Equipment	4,478	1,992	-	6,470
Software	24,760	16,224	-	40,984
Total intangible right-to-use capital assets	54,284	46,862	(459)	100,687
Less accumulated amortization for:				
Buildings	(2,601)	(763)	328	(3,036)
Land	(125)	(1,233)	-	(1,358)
Equipment	(1,277)	(440)	-	(1,717)
Vehicles	(3,788)	(6,608)	-	(10,396)
Computer Equipment	(2,730)	(884)	-	(3,614)
Software	(9,163)	(11,526)	-	(20,689)
Total accumulated amortization	(19,684)	(21,454)(1)	328	(40,810)
Intangible right-to-use capital assets, net	<u>\$ 34,600</u>	<u>25,408</u>	<u>(131)</u>	<u>59,877</u>
(1) Components of accumulated amortization increases:				
Current year accumulated amortization		<u>\$ 21,454</u>		

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

b. Right-to-Use Capital Assets, continued

Business-type Activities: Austin Water

Intangible right-to-use capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use capital assets				
Buildings	\$ 985	-	(386)	599
Equipment	312	-	-	312
Software	6,335	1,786	-	8,121
Total intangible right-to-use assets	7,632	1,786	(386)	9,032
Less accumulated amortization for:				
Buildings	(342)	(115)	-	(457)
Equipment	(171)	(63)	-	(234)
Software	(1,166)	(1,217)	-	(2,383)
Total accumulated amortization	(1,679)	(1,395)(1)	-	(3,074)
Intangible right-to-use capital assets, net	<u>\$ 5,953</u>	<u>391</u>	<u>(386)</u>	<u>5,958</u>

(1) Components of accumulated amortization increases:

Current year accumulated amortization	
Water	\$ 1,096
Wastewater	299
Total increases in accumulated amortization	<u>\$ 1,395</u>

Business-type Activities: Airport

Intangible right-to-use capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use capital assets				
Software	\$ 3,880	2,787	(547)	6,120
Total intangible right-to-use capital assets	3,880	2,787	(547)	6,120
Less accumulated amortization for:				
Software	(921)	(1,595)	547	(1,969)
Total accumulated amortization	(921)	(1,595)(1)	547	(1,969)
Intangible right-to-use capital assets, net	<u>\$ 2,959</u>	<u>1,192</u>	<u>-</u>	<u>4,151</u>

(1) Components of accumulated amortization increases:

Current year accumulated amortization	<u>\$ 1,595</u>

5. CAPITAL ASSETS AND INFRASTRUCTURE, continued

b. Right-to-Use Capital Assets, continued

Business-type Activities: Nonmajor Enterprise Funds

Intangible right-to-use capital asset activity for the year ended September 30, 2025, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use capital assets				
Buildings	\$ 8,553	-	-	8,553
Equipment	2,045	-	-	2,045
Vehicles	2,012	-	-	2,012
Computer Equipment	726	-	-	726
Software	9,317	7,538	-	16,855
Total intangible right-to-use capital assets	22,653	7,538	-	30,191
Less accumulated amortization for:				
Buildings	(2,774)	(924)	-	(3,698)
Equipment	(1,079)	(457)	-	(1,536)
Vehicles	(793)	(402)	-	(1,195)
Computer Equipment	(153)	(167)	-	(320)
Software	(2,638)	(2,247)	-	(4,885)
Total accumulated amortization	(7,437)	(4,197)(1)	-	(11,634)
Intangible right-to-use capital assets, net	<u>\$ 15,216</u>	<u>3,341</u>	<u>-</u>	<u>18,557</u>

(1) Components of accumulated amortization increases:

Convention	\$ 311
Environmental and health services	844
Public recreation	780
Urban growth management	2,262
Total increases in accumulated amortization	<u>\$ 4,197</u>

6. PUBLIC-PRIVATE PARTNERSHIPS

A public-private partnership (PPP) is an arrangement in which the City (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets. The City is the transferor in the following PPP arrangements. A service concession arrangement (SCA) is a PPP in which the transferor conveys the use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated by third parties; where the City determines what services are provided, to whom and for what price; and where the City retains a significant residual interest in the service utility of the asset after the SCA terminates.

a. Governmental Activities

The City has granted a private operator operating rights for the Umlauf Sculpture Garden and Museum. This arrangement meets the definition of an SCA. The operator made improvements to the City-owned garden and museum as part of this agreement. As of September 30, 2025, the net book value of the operator-constructed capital assets transferred to the City is \$356 thousand and reported within the building and improvements category of Note 5a. The original agreement had a term that ended in November 2021. However, the operator will continue to operate the facility under a separately negotiated management and operating agreement.

The City has entered a development and construction agreement with the Young Men's Christian Association (YMCA) to develop and operate a new joint-use recreational facility for public use. The facility is owned by the City and operated by the YMCA under a 20-year agreement extending through 2032. This arrangement meets the definition of an SCA. As of September 30, 2025, the net book value of the operator-constructed capital assets transferred to the City is \$905 thousand and reported within the building and improvements category of the capital asset table in Note 5a. The related deferred inflow balance is \$322 thousand and is being amortized through 2030. For the fiscal year ending September 30, 2025, a total of \$67 thousand was recorded as inflows of resources related to this arrangement.

The City has entered a joint design, development, management, and operation agreement with Waller Creek Local Government Corporation and the Waterloo Greenway Conservancy (WGC). The agreement established the roles and responsibilities of each entity regarding the development and operation of the Waller Creek District. The WGC contributed funding to Waller Creek District facilities that will be owned by the City. This arrangement meets the definition of an SCA. The WGC will operate the facilities for an initial term of 20 years, with options to extend through 2113. As of September 30, 2025, the net book value of capital assets the operator has provided to the City is \$24.7 million and reported within the building and improvements category of the capital asset table in Note 5a. The related deferred inflow balance was \$27.4 million and is being amortized through 2113. For the fiscal year ending September 30, 2025, a total of \$312 thousand was recorded as inflows of resources related to this arrangement.

The City has engaged in several PPP arrangements focused on affordable housing. These partnerships, formed to develop and manage affordable housing projects, operate under ground lease agreements with terms expiring between 2031 and 2117. At the inception of the arrangement, each project developer transfers land to the City. Upon the expiration of these leases, the City will gain residual ownership of the buildings and improvements. As of September 30, 2025, the net book value of capital assets the operators have transferred to the City is \$47.9 million and reported within the land and building and improvement category of the capital asset table in Note 5a. The receivable balance for future installment payments associated with these PPP arrangements is \$6.6 million. The installment payments were discounted using rates between 2.02% and 4.32%. Interest receivable related to these arrangements is \$210 thousand as of September 30, 2025. The related deferred inflow balance was \$52.2 million and is being amortized over the term of the respective ground lease. For the fiscal year ending September 30, 2025, a total of \$1.0 million was recorded as inflows of resources related to these arrangements.

The City has granted a private operator operating rights for a boating concession on Lady Bird Lake. The operator developed infrastructure on City-owned land under this agreement. Effective January 1, 2025, the City assigned the rights and obligations under this contract to a local foundation to operate under an existing Park Operation and Maintenance Agreement (POMA). The City no longer reports the receivable and related deferred inflow balances associated with this arrangement. For the fiscal year ending September 30, 2025, a total of \$56 thousand was recorded as inflows of resources related to this arrangement.

6. PUBLIC-PRIVATE PARTNERSHIPS, continued

a. Governmental Activities, continued

The City has granted a private operator development right for the Q2 stadium on City-owned land. The operator will operate the stadium for a minimum of 20 years with options to extend through 2071. The receivable balance for future installment payments associated with this PPP was \$4.3 million, and the City has recorded a receivable for the underlying asset which will be transferred to the City at the end of the agreement in the amount of \$104 million. The underlying asset receivable is presented as other long-term assets. The installment payments were discounted using a rate of 5.00% and the interest receivable related to the arrangement is \$1 million as of September 30, 2025. The related deferred inflow balance was \$84.8 million as of September 30, 2025. The deferred inflows are being amortized through 2041, and for the fiscal year ending September 30, 2025, \$5.4 million was recorded in inflows of resources related to this arrangement.

b. Business-Type Activities

The City has granted a private operator operating rights for a Consolidated Rental Car Facility (CONRAC) at the Airport. As part of this agreement, the operator developed a joint-use parking facility on City-owned land. This arrangement meets the definition of an SCA. As of September 30, 2025, the net book value of capital assets the operator has transferred to the City is \$114.4 million and reported within the building and improvement category of the capital asset table in Note 5a. The receivable balance for future installment payments associated with this PPP was \$6.3 million. The installment payments were discounted using a rate of 5.53%. The related deferred inflow balance was \$110.4 million and is being amortized through 2046. For the fiscal year ending September 30, 2025, \$5.5 million was recorded as inflows of resources related to this arrangement.

The City has granted a private operator operating rights for onsite parking and services at the Airport. As part of this agreement, the operator developed parking infrastructure and buildings on City-owned land. This arrangement meets the definition of an SCA. As of September 30, 2025, the net book value of capital assets the operator has transferred to the City is \$21.0 million and reported within the building and improvement category of the capital asset table in Note 5a. The receivable balance for future installment payments associated with this PPP was \$7.3 million. The installment payments were discounted using a rate of 4.52%. The related deferred inflow balance was \$29.7 million and is being amortized through 2056. For the fiscal year ending September 30, 2025, a total of \$956 thousand was recorded as inflows of resources related to this arrangement.

The City has granted a private operator operating rights for the Butler Pitch and Putt Golf Course. The operator constructed improvements on City-owned parkland as part of this agreement. This arrangement meets the definition of an SCA. As of September 30, 2025, the net book value of capital assets the operator has transferred to the City is \$1.0 million and reported within the building and improvement category of the capital asset table in Note 5a. The receivable balance for future installment payments associated with this PPP was \$424 thousand. The installment payments were discounted using a rate of 1.08%. The related deferred inflow balance was \$948 thousand and is being amortized through 2029. For the fiscal year ending September 30, 2025, a total of \$243 thousand was recorded as inflows of resources related to this arrangement.

The City has granted operating rights for a freight and ground service facility at the Airport to a private operator. The operator will develop infrastructure on City-owned land as part of this agreement. These improvements, to be completed within 720 days of receiving the City's notice to proceed, will revert to City ownership at the end of the contract in 2039. As of September 30, 2025, development of these improvements is still ongoing. The receivable balance for future installment payments associated with this PPP was \$1.8 million. The installment payments were discounted using a rate of 3.49%. The related deferred inflow balance was \$1.7 million and is being amortized through 2039. For the fiscal year ending September 30, 2025, a total of \$124 thousand was recorded as inflows of resources related to this arrangement.

The City has granted operating rights for an expanded fuel facility at the Airport to a private operator. The operator developed fueling infrastructure on City-owned land as part of this agreement. These improvements will revert to City ownership at the end of the contract in 2039. The receivable balance for future installment payments associated with this PPP was \$2.2 million, and the City has recorded a receivable for the underlying asset which will be transferred to the City at the end of the agreement in the amount of \$50.4 million. The underlying asset receivable is presented as other long-term assets. The installment payments were discounted using a rate of 2.66%. The related deferred inflow balance was \$46.3 million as of September 30, 2025. The deferred inflows are being amortized through 2039, and for the fiscal year ending September 30, 2025, \$3.3 million was recorded in inflows of resources related to this arrangement.

6. PUBLIC-PRIVATE PARTNERSHIPS, continued

b. Business-Type Activities, continued

The City has granted operating rights for Fixed-Based Operator (FBO) services at the Airport. As part of this agreement, the operator is constructing new improvements on City-owned land. These improvements, to be completed in fiscal year 2026, will revert to City ownership at the end of the contract in October 2056. The receivable balance for future installment payments associated with this PPP was \$9.3 million. The installment payments were discounted using a rate of 3.71%. The related deferred inflow balance was \$9.2 million and is being amortized through October 2056. For the fiscal year ending September 30, 2025, a total of \$246 thousand was recorded as inflows of resources related to this arrangement.

7. LEASES

A lease is a contractual agreement that conveys control of the right to use another entity's nonfinancial asset for a minimum of one year in an exchange or exchange-like transaction. The City has entered into various leasing arrangements as both lessee and lessor.

a. City as Lessor

As lessor, the City has entered into numerous leases of City-owned land, buildings, and infrastructure. These leases have annual interest rates ranging from 0.63% to 3.9%. The terms end between January 2026 and September 2080 with varying extension options. Lease receivables are reported for governmental activities, Austin Water, Airport, and nonmajor enterprise funds.

In October 1981, the City entered into a 99-year ground lease for land located in downtown Austin. As of September 30, 2025, the lease receivable associated with this lease was \$40.6 million, or 50% of the governmental activities leases receivable balance.

The City has entered into certain lease agreements as the lessor of land, terminal space, cargo facilities, and other structures to concessionaires serving the Airport. The concession agreements provide for both fixed and variable payments and do not meet the criteria of regulated leases. About half of the City's leases and two-thirds of the City's leases receivable balance arise from Airport operations.

The present value of lease payments expected to be received during the lease term is recorded as a lease receivable and is deferred until received. Lease receivable activity for the year ended September 30, 2025, is as follows (in thousands):

	October 1, 2024	Additions	Reductions	September 30, 2025
Leases Receivable				
Governmental activities	\$ 53,962	32,802	(5,970)	80,794
Business-type activities				
Austin Water	1,514	-	(89)	1,425
Airport	180,944	4,306	(30,027)	155,223
Nonmajor enterprise	3,851	462	(1,215)	3,098
Business-type activities total	<u>186,309</u>	<u>4,768</u>	<u>(31,331)</u>	<u>159,746</u>
Total leases receivable	<u>\$ 240,271</u>	<u>37,570</u>	<u>(37,301)</u>	<u>240,540</u>

For the year ended September 30, 2025, lease inflows are as follows (in thousands):

Description	Lease Revenue	Lease Interest Income	Total
Governmental activities			
General Fund	\$ 156	187	343
Nonmajor governmental	125	55	180
Internal Service Funds	6,863	1,561	8,424
Governmental activities total	<u>7,144</u>	<u>1,803</u>	<u>8,947</u>
Business-type activities			
Austin Water	112	40	152
Airport	22,486	2,845	25,331
Nonmajor enterprise	391	76	467
Business-type activities total	<u>22,989</u>	<u>2,961</u>	<u>25,950</u>
Total all activities	<u>\$ 30,133</u>	<u>4,764</u>	<u>34,897</u>

7. LEASES, continued

a. City as Lessor, continued

The City also received variable lease revenues during the year that are not included in lease inflows or in the measurement of the lease receivable. Variable lease revenues for the year ended September 30, 2025, are as follows (in thousands):

Description	Governmental Activities	Business-Type Activities	Total
Sales-based	\$ 301	21,301	21,602
Operating revenue	2,220	-	2,220
Utilities	6	-	6
Total variable payments	<u>\$ 2,527</u>	<u>21,301</u>	<u>23,828</u>

Principal and interest to maturity for the lease receivable as of September 30, 2025, are as follows (in thousands):

Fiscal Year Ended September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 7,048	1,765	22,587	2,398	33,798
2027	5,234	1,598	22,871	2,027	31,730
2028	5,147	1,462	22,234	1,671	30,514
2029	4,515	1,328	22,074	1,329	29,246
2030	4,054	1,212	21,338	992	27,596
2031 - 2035	11,341	4,751	40,881	1,625	58,598
2036 - 2040	4,135	3,991	5,262	442	13,830
2041 - 2045	3,829	3,526	793	189	8,337
2046 - 2050	3,886	3,169	378	143	7,576
2051 - 2055	4,327	2,784	415	106	7,632
2056 - 2060	4,818	2,356	456	65	7,695
2061 - 2065	5,364	1,879	457	20	7,720
2066 - 2070	5,750	1,351	-	-	7,101
2071 - 2075	5,686	804	-	-	6,490
2076 - 2080	5,660	275	-	-	5,935
Total	<u>\$ 80,794</u>	<u>32,251</u>	<u>159,746</u>	<u>11,007</u>	<u>283,798</u>

7. LEASES, continued

b. City as Lessee

As lessee, the City leases buildings, equipment, land, infrastructure, vehicles, and computer equipment to support its operations. These leases have annual interest rates ranging from 0.21% to 9.83%. For the fiscal year ended September 30, 2025, the City's governmental and business-type activities reported interest expenses of \$1.3 million and \$1.2 million, respectively. The terms end between March 2026 and February 2103, with varying extension options. Most of the leases are for the right to use real property, vehicles, and computer equipment. The present value of lease payments expected to be made during the lease term is recorded as a lease liability and the associated asset is recognized as an intangible right-to-use lease asset. Information on lease assets by major class and related accumulated amortization information can be found in Note 5. Lease payable activity for the year ended September 30, 2025, is as follows (in thousands):

Leases Payable	October 1, 2024	Additions	Reductions	September 30, 2025
Governmental activities	\$ 77,005	3,311	(10,738)	69,578
Business-type activities				
Austin Energy	17,232	30,656	(11,787)	36,101
Austin Water	808	-	(565)	243
Airport	-	-	-	-
Nonmajor enterprise	8,756	-	(1,935)	6,821
Business-type activities total	<u>26,796</u>	<u>30,656</u>	<u>(14,287)</u>	<u>43,165</u>
Total leases payable	<u>\$ 103,801</u>	<u>33,967</u>	<u>(25,025)</u>	<u>112,743</u>

The City also made variable lease payments during the year that are not included in the measurement of the lease liability. Variable lease payments for the year ended September 30, 2025, were as follows (in thousands):

Description	Governmental Activities	Business-Type Activities	Total
Operating expenses	\$ 3,913	166	4,079
Property taxes	-	(12)	(12)
Rental credits	(163)	-	(163)
Utilities	129	-	129
Maintenance and repairs	1	-	1
Other	36	-	36
Total variable payments	<u>\$ 3,916</u>	<u>154</u>	<u>4,070</u>

7. LEASES, continued

b. City as Lessee, continued

As of September 30, 2025, future annual lease commitments include the following (in thousands):

Fiscal Year Ended September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest			
2026	\$ 5,550	1,306	12,814	1,226	20,896
2027	4,793	1,126	10,446	826	17,191
2028	3,946	999	9,804	554	15,303
2029	3,823	928	6,997	298	12,046
2030	3,650	868	1,415	121	6,054
2031 - 2035	12,727	3,625	1,488	154	17,994
2036 - 2040	10,803	2,668	182	47	13,700
2041 - 2045	1,284	2,109	19	-	3,412
2046 - 2050	918	2,030	-	-	2,948
2051 - 2055	1,141	1,935	-	-	3,076
2056 - 2060	1,399	1,819	-	-	3,218
2061 - 2065	1,697	1,678	-	-	3,375
2066 - 2070	2,039	1,508	-	-	3,547
2071 - 2075	2,432	1,306	-	-	3,738
2076 - 2080	2,881	1,066	-	-	3,947
2081 - 2085	1,596	866	-	-	2,462
2086 - 2090	2,006	712	-	-	2,718
2091 - 2095	2,481	520	-	-	3,001
2096 - 2100	3,029	284	-	-	3,313
2101 - 2103	1,383	37	-	-	1,420
Total	<u>\$ 69,578</u>	<u>27,390</u>	<u>43,165</u>	<u>3,226</u>	<u>143,359</u>

c. Regulated Leases

The City has various aeronautical leasing agreements which are not included in the measurement of lease receivables, or within deferred inflows of resources, as they meet the definition of a regulated lease. These airline agreements are generally aeronautical in nature and are subject to certain regulations set forth by the Federal Aviation Administration. The Airport's Airline Use and Lease Agreement governs airline use of the main terminal building on a preferential use basis. Separate lease agreements with cargo terminal operators, general aviation operators, and hangar leases are maintained on an exclusive use basis. The previous Airline Use and Lease Agreement expired on September 30, 2024, but remained in active holdover status through September 30, 2025 while negotiations for a new agreement continued. The airlines then entered into a temporary bridge agreement covering the period from October 1, 2025 through December 31, 2025, in order to allow sufficient time for execution of the new Airline Use and Lease Agreement. The new Airline Use and Lease Agreement was fully executed and became effective on January 1, 2026, and will remain in effect through September 30, 2035, with two one-year extension options. In fiscal year 2025, the Airport recognized user fees and rental revenue of \$176 million related to regulated leases. Expected future minimum payments through the September 30, 2035 expiration of the new Airline Use and Lease Agreement are summarized in the table below (in thousands). These future payments are based on budgeted expenses and projected airline activity.

Fiscal Year Ended September 30	Future Minimum Payments
2026	\$ 248,099
2027	289,591
2028	301,138
2029	374,837
2030	358,797
2031 - 2035	3,457,646
Total	<u>\$ 5,030,108</u>

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A SBITA is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), for a minimum of one year in an exchange or exchange-like transaction.

The City has entered into various SBITAs for noncancellable software subscriptions to support its operations. These SBITAs have annual interest rates ranging from 2.16% to 3.63%. For the fiscal year ended September 30, 2025, the City's governmental and business-type activities reported interest expenses of \$1.5 million and \$835 thousand, respectively. The terms end between January 2026 and July 2033, with varying extension options. The majority of the subscription arrangements are contracted through cloud computing arrangements, such as software as a service and platform as a service. The present value of subscription payments expected to be made during the SBITA term is recorded as a SBITA liability and the associated assets is recognized as an intangible right-to-use SBITA asset. Information on SBITA assets by major class and related accumulated amortization information can be found in Note 5.

Variable payments, other than those that depend on an index or a rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the subscription liabilities. Rather, these variable and other payments are recognized as outflows of resources in the period in which the obligation for those payments is incurred. The amount of outflows of resources recognized in the fiscal year ended September 30, 2025, for variable and other payments not previously included in the measurement of the subscription liability are \$9.7 million and \$4.5 million for governmental and business activities, respectively.

As of September 30, 2025, the City is contractually committed for SBITAs that have not yet commenced in the amounts of \$21.1 million and \$3.7 million in governmental and business-type activities, respectively.

IT subscriptions payable activity for the year ended September 30, 2025, is as follows (in thousands):

	October 1, 2024	Additions	Reductions	September 30, 2025
IT Subscriptions payable				
Governmental activities	\$ 56,522	25,160	(27,037)	54,645
Business-type activities				
Austin Energy	14,329	16,694	(11,812)	19,211
Austin Water	4,634	1,786	(1,040)	5,380
Airport	2,539	2,787	(1,353)	3,973
Nonmajor enterprise	6,283	7,199	(3,425)	10,057
Business-type activities total	<u>27,785</u>	<u>28,466</u>	<u>(17,630)</u>	<u>38,621</u>
Total IT subscriptions payable	<u>\$ 84,307</u>	<u>53,626</u>	<u>(44,667)</u>	<u>93,266</u>

As of September 30, 2025, future annual SBITA commitments include the following (in thousands):

Fiscal Year Ended September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 19,817	1,759	14,834	1,117	37,527
2027	15,665	936	12,611	698	29,910
2028	7,055	518	6,528	322	14,423
2029	6,018	325	3,790	119	10,252
2030	1,977	161	858	29	3,025
2031 - 2033	4,113	164	-	-	4,277
Total	<u>\$ 54,645</u>	<u>3,863</u>	<u>38,621</u>	<u>2,285</u>	<u>99,414</u>

9. DEBT AND NON-DEBT LIABILITIES

a. Long-Term Liabilities

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

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

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

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2025, were as follows (in thousands):

Description	October 1, 2024	Increases	Decreases	September 30, 2025	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	\$ 1,249,870	352,896	(230,148)	1,372,618	106,485
Certificates of obligation, net	317,761	118,611	(41,384)	394,988	18,681
Contractual obligations, net	87,739	31,700	(22,873)	96,566	21,345
General obligation bonds and other tax supported debt total	1,655,370	503,207	(294,405)	1,864,172	146,511
Financed purchase obligations	7,022	3,554	(7,022)	3,554	3,554
Net debt	1,662,392	506,761	(301,427)	1,867,726	150,065
Other long-term obligations					
Accrued compensated absences, as restated (see Note 21)	162,091	33,055	(18,309)	176,837	106,571
Claims payable	73,205	283,232	(279,862)	76,575	36,314
Net pension liability	2,294,789	728,888	(792,367)	2,231,310	-
Other postemployment benefits	1,895,974	207,145	(1,331,374)	771,745	33,006
Asset retirement obligations	743	268	(29)	982	-
Other liabilities	297,766	4,789	(62,725)	239,830	129,489
Governmental activities total	6,386,960	1,764,138	(2,786,093)	5,365,005	455,445
Total business-type activities					
General obligation bonds, net	11,905	8,179	(2,126)	17,958	1,792
Certificates of obligation, net	29,889	1,810	(10,247)	21,452	1,308
Contractual obligations, net	6,029	-	(2,668)	3,361	1,829
Other tax supported debt, net	1,870	-	(965)	905	905
General obligation bonds and other tax supported debt total	49,693	9,989	(16,006)	43,676	5,834
Commercial paper notes, net	315,960	500,693	(263,500)	553,153	-
Revenue bonds, net	5,674,485	265,142	(261,043)	5,678,584	187,520
Revenue notes from direct placements, net	291,646	97,160	(21,011)	367,795	20,245
Net debt	6,331,784	872,984	(561,560)	6,643,208	213,599
Other long-term obligations					
Accrued compensated absences, as restated (see Note 21)	43,949	15,625	(8,963)	50,611	39,732
Claims payable	292	1,542	(706)	1,128	271
Net pension liability	1,292,427	352,582	(344,520)	1,300,489	-
Other postemployment benefits	1,349,443	154,031	(957,576)	545,898	23,344
Accrued landfill closure and postclosure costs	17,755	821	(1,617)	16,959	837
Asset retirement obligations	444,163	16,631	(8,940)	451,854	-
Other liabilities	212,609	44,212	(11,103)	245,718	170,592
Business-type activities total	9,692,422	1,458,428	(1,894,985)	9,255,865	448,375
Total liabilities (1)	\$ 16,079,382	3,222,566	(4,681,078)	14,620,870	903,820

(1) This schedule excludes select short-term liabilities of \$147,518 for governmental activities. For business-type activities, it excludes select short-term liabilities of \$408,433, and derivative instruments of \$1,644.

9. DEBT AND NON-DEBT LIABILITIES, continued

a. Long-Term Liabilities, continued

Description	October 1, 2024	Increases	Decreases	September 30, 2025	Amounts Due Within One Year
Business-type activities:					
Electric activities					
Commercial paper notes, net	\$ 267,960	223,193	(263,500)	227,653	-
Revenue bonds, net	2,005,630	265,136	(105,076)	2,165,690	82,065
Net debt	<u>2,273,590</u>	<u>488,329</u>	<u>(368,576)</u>	<u>2,393,343</u>	<u>82,065</u>
Other long-term obligations					
Accrued compensated absences, as restated (see Note 21)	15,752	4,758	(3,027)	17,483	13,695
Claims payable	-	499	(227)	272	-
Net pension liability	447,648	111,446	(118,756)	440,338	-
Other postemployment benefits	385,555	42,398	(272,603)	155,350	6,644
Asset retirement obligations	442,296	16,631	(8,938)	449,989	-
Other liabilities	149,823	29,516	(5,321)	174,018	133,284
Electric activities total	<u>3,714,664</u>	<u>693,577</u>	<u>(777,448)</u>	<u>3,630,793</u>	<u>235,688</u>
Water and Wastewater activities					
General obligation bonds, net	709	-	(91)	618	77
Certificates of obligation bonds, net	230	-	(125)	105	28
Other tax supported debt, net	1,197	-	(618)	579	579
General obligation bonds and other tax supported debt total	<u>2,136</u>	<u>-</u>	<u>(834)</u>	<u>1,302</u>	<u>684</u>
Commercial paper notes, net	48,000	277,500	-	325,500	-
Revenue bonds, net	2,219,149	-	(107,561)	2,111,588	59,000
Revenue notes from direct placements, net	252,036	31,300	(13,751)	269,585	12,745
Net debt	<u>2,521,321</u>	<u>308,800</u>	<u>(122,146)</u>	<u>2,707,975</u>	<u>72,429</u>
Other long-term obligations					
Accrued compensated absences, as restated (see Note 21)	8,802	7,435	(5,681)	10,556	6,983
Claims payable	292	937	(451)	778	243
Net pension liability	260,075	67,002	(67,409)	259,668	-
Other postemployment benefits	277,158	31,426	(195,267)	113,317	4,846
Asset retirement obligations	1,867	-	(2)	1,865	-
Other liabilities	23,405	2,451	(102)	25,754	19,614
Water and Wastewater activities total	<u>3,092,920</u>	<u>418,051</u>	<u>(391,058)</u>	<u>3,119,913</u>	<u>104,115</u>
Airport activities					
Revenue bonds, net	1,395,151	-	(40,087)	1,355,064	37,875
Revenue notes from direct placements, net	25,380	60,000	(4,845)	80,535	4,950
Net debt	<u>1,420,531</u>	<u>60,000</u>	<u>(44,932)</u>	<u>1,435,599</u>	<u>42,825</u>
Other long-term obligations					
Accrued compensated absences, as restated (see Note 21)	3,858	1,246	(217)	4,887	3,488
Claims payable	-	106	(28)	78	28
Net pension liability	91,915	49,944	(28,493)	113,366	-
Other postemployment benefits	135,009	15,070	(96,319)	53,760	2,299
Other liabilities	10,751	2,697	(4,176)	9,272	5,499
Airport activities total	<u>1,662,064</u>	<u>129,063</u>	<u>(174,165)</u>	<u>1,616,962</u>	<u>54,139</u>
Nonmajor enterprise activities					
General obligation bonds, net	11,196	8,179	(2,035)	17,340	1,715
Certificates of obligation, net	29,659	1,810	(10,122)	21,347	1,280
Contractual obligations	6,029	-	(2,668)	3,361	1,829
Other tax supported debt, net	673	-	(347)	326	326
General obligation bonds and other tax supported debt total	<u>47,557</u>	<u>9,989</u>	<u>(15,172)</u>	<u>42,374</u>	<u>5,150</u>
Revenue bonds, net	54,555	6	(8,319)	46,242	8,580
Revenue notes from direct placements, net	14,230	5,860	(2,415)	17,675	2,550
Net debt	<u>116,342</u>	<u>15,855</u>	<u>(25,906)</u>	<u>106,291</u>	<u>16,280</u>
Other long-term obligations					
Accrued compensated absences, as restated (see Note 21)	15,537	4,552	(2,404)	17,685	15,566
Net pension liability	492,789	124,190	(129,862)	487,117	-
Other postemployment benefits	551,721	65,137	(393,387)	223,471	9,555
Accrued landfill closure and postclosure costs	17,755	821	(1,617)	16,959	837
Other liabilities	28,630	9,548	(1,504)	36,674	12,195
Nonmajor enterprise activities total	<u>\$ 1,222,774</u>	<u>220,103</u>	<u>(554,680)</u>	<u>888,197</u>	<u>54,433</u>

9. 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, 2025, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Issue Amount	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD - 2006	2006	\$ 7,995	905	38 (1)(3)	4.25%	9/1/2026
Mueller Contractual Obligation - 2006	2006	12,000	955	38 (1)(4)	4.00%	9/1/2026
Public Improvement - 2009B	2009	78,460	26,530	3,344 (1)	5.31%	9/1/2026-2029
Mueller Contractual Obligation - 2009	2010	15,000	4,105	445 (1)(4)	4.25%	9/1/2026-2029
Public Improvement - 2012A	2013	74,280	19,765	3500 (1)	3.00 - 3.10%	9/1/2026-2032
Public Improvement - 2012B	2013	6,640	2,565	391 (1)	3.00 - 3.50%	9/1/2026-2032
Certificates of Obligation - 2012	2013	24,645	11,525	1,742 (1)	3.00 - 3.38%	9/1/2026-2037
Mueller Contractual Obligation - 2012	2013	16,735	9,070	1,449 (1)(4)	3.00 - 3.38%	9/1/2026-2032
Public Improvement - 2014	2015	10,000	7,950	1,943 (1)	3.40 - 4.02%	9/1/2026-2034
Certificates of Obligation - 2014	2015	9,600	5,245	1,082 (1)	3.40 - 3.92%	9/1/2026-2034
Mueller Contractual Obligation - 2014	2015	15,845	8,280	1,099 (1)(4)	5.00%	9/1/2026-2029
Public Improvement and Refunding - 2015	2016	236,905	111,440	16,706 (1)	2.95 - 5.00%	9/1/2026-2035
Public Improvement - 2015	2016	10,000	6,075	1,436 (1)	3.39 - 4.27%	9/1/2026-2035
Certificates of Obligation - 2015	2016	43,710	26,740	7,890 (1)	5.00%	9/1/2026-2035
Public Improvement and Refunding - 2016	2017	98,365	51,055	9,222 (1)	3.00 - 5.00%	9/1/2026-2036
Certificates of Obligation - 2016	2017	44,015	29,130	8,950 (1)	3.00 - 5.00%	9/1/2026-2036
Public Improvement - 2016	2017	12,000	7,375	1,390 (1)	2.30 - 3.16%	9/1/2026-2036
Certificates of Obligation - 2016	2017	8,700	5,345	1,006 (1)	2.30 - 3.16%	9/1/2026-2036
Public Improvement - 2017	2018	63,580	34,535	10,793 (1)	5.00%	9/1/2026-2037
Certificates of Obligation - 2017	2018	29,635	20,840	7,347 (1)	5.00%	9/1/2026-2037
Public Improvement - 2017	2018	25,000	17,940	4,150 (1)	2.73 - 3.48%	9/1/2026-2037
Public Improvement - 2018	2019	65,595	15,940	3,391 (1)	3.00 - 5.00%	9/1/2026-2038
Certificates of Obligation - 2018	2019	7,140	5,300	1,378 (1)	3.00 - 5.00%	9/1/2026-2038
Contractual Obligation - 2018	2019	21,215	1,770	35 (2)	4.00%	11/1/2025
Public Improvement - 2018	2019	6,980	5,175	1,439 (1)	3.38 - 5.00%	9/1/2026-2038
Public Improvement and Refunding - 2019	2020	146,090	66,925	23,413 (1)	4.00 - 5.00%	9/1/2026-2039
Certificates of Obligation - 2019	2020	5,055	3,995	1,624 (1)	4.00 - 5.00%	9/1/2026-2039
Contractual Obligation - 2019	2020	25,780	6,345	319 (2)	5.00%	11/1/2025-2026
Public Improvement - 2019	2020	40,535	30,535	6,656 (1)	2.12 - 2.93%	9/1/2026-2039
Certificates of Obligation - 2019	2020	14,935	11,250	2,452 (1)	2.12 - 2.93%	9/1/2026-2039
Public Improvement and Refunding - 2020	2021	86,440	51,950	13,082 (1)	5.00%	9/1/2026-2040
Certificates of Obligation - 2020	2021	109,080	67,295	34,668 (1)	5.00%	9/1/2026-2040
Contractual Obligation - 2020	2021	23,205	8,810	668 (2)	5.00%	11/1/2025-2027
Public Improvement and Refunding - 2020	2021	49,410	30,210	3,995 (1)	0.89 - 4.00%	9/1/2026-2040
Public Improvement and Refunding - 2021	2022	153,685	97,230	32,465 (1)	4.00 - 5.00%	9/1/2026-2041
Certificates of Obligation - 2021	2022	35,670	30,780	11,897 (1)	4.00 - 5.00%	9/1/2026-2041
Contractual Obligation - 2021	2022	27,110	15,280	1,718 (2)	5.00%	11/1/2025-2028
Public Improvement and Refunding - 2021	2022	81,880	59,630	11,904 (1)	1.65 - 3.00%	9/1/2026-2041
Certificates of Obligation - 2021	2022	20,300	16,915	3,006 (1)	1.00 - 4.00%	9/1/2026-2041
Public Improvement and Refunding - 2022	2023	156,275	114,045	51,185 (1)	5.00%	9/1/2026-2042
Contractual Obligation - 2022	2023	9,300	6,270	811 (2)	5.00%	11/1/2025-2029
Public Improvement - 2022	2023	59,555	46,705	22,473 (1)	4.44 - 5.00%	9/1/2026-2042
Certificates of Obligation - 2022	2023	16,380	14,755	7,077 (1)	4.49 - 5.00%	9/1/2026-2042
Public Improvement - 2023	2024	221,950	190,455	88,293 (1)	5.00%	9/1/2026-2043
Contractual Obligation - 2023	2024	8,750	7,240	1,213 (2)	5.00%	11/1/2025-2030
Certificates of Obligation - 2023	2024	25,790	24,120	13,017 (1)	5.00%	9/1/2026-2043
Public Improvement and Refunding - 2024	2025	292,600	264,040	128,664 (1)	5.00%	9/1/2026-2044
Contractual Obligation - 2024	2025	29,360	26,965	4,964 (2)	5.00%	11/1/2025-2031
Certificates of Obligation - 2024	2025	100,325	94,790	54,234 (1)	5.00%	9/1/2026-2044
Public Improvement - 2024	2025	31,760	28,685	16,644 (1)	4.70 - 5.50%	9/1/2026-2044
Certificates of Obligation - 2024	2025	7,325	7,080	3,493 (1)	4.70 - 5.50%	9/1/2026-2044
Certificates of Obligation - 2025	2025	12,160	11,870	3,769 (1)	2.59 - 3.08%	9/1/2026-2044
			<u>\$ 1,769,725</u>			

(1) Interest is paid semiannually on March 1 and September 1.

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

(3) Includes Austin Water principal of \$579 and interest of \$24 and Drainage fund principal of \$326 and interest of \$14.

(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

9. DEBT AND NON-DEBT LIABILITIES, continued

b. Governmental Activities Long-Term Liabilities, continued

In December 2024, the City issued \$292,600,000 of Public Improvement and Refunding Bonds, Series 2024. The net proceeds of \$224,800,000 (after issue costs, discounts, and premiums) from this issuances will be used as follows: streets and mobility (\$147,200,000), park improvements (\$30,000,000), water quality protection (\$15,000,000), cultural arts facility improvements (\$14,900,000), and health & public safety (\$17,700,000). The net proceeds of the refunding portion of \$103,998,948 were used to refund \$80,575,000 of Public Improvement Bonds, Series 2014 and \$21,960,000 of Certificates of Obligation, Series 2014. Principal payments are due on September 1 of each year from 2025 to 2044. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2025. Total interest requirements for these bonds, at a rate of 5.0%, are \$138,904,750. An accounting gain of \$5,415,819, which will be deferred and amortized, was recorded on this refunding.

In December 2024, the City issued \$29,360,000 of Public Property Finance Contractual Obligation, Series 2024. The net proceeds of \$31,520,000 (after issue costs, discounts, and premiums) from this issuance will be used for fleet (\$17,355,000), hardware and software systems (\$11,150,000), and public safety (\$3,015,000). Principal payments are due on May 1 and November 1 of each year from 2025 to 2031. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2025. Total interest requirements for these obligations, at a rate of 5.0%, are \$5,501,392.

In December 2024, the City issued \$100,325,000 of Certificates of Obligation, Series 2024. The new money net proceeds of \$112,700,000 (after issue costs, discounts, and premiums) from this issuance will be used for purchase of real estate (\$71,000,000) a new Fire/EMS station and station improvements (\$35,200,000), street improvements/transportation projects (\$4,600,000), and waterway repairs/park improvements (\$1,900,000). Interest is payable March 1 and September 1 of each year from 2025 to 2044, commencing on March 1, 2025. Principal payments are due September 1 of each year from 2025 to 2044. Total interest requirements for this obligation, at a rate of 5.0%, are \$57,745,125.

In December 2024, the City issued \$31,760,000 of Public Improvement Bonds, Taxable Series 2024. The net proceeds of \$32,000,000 (after issue costs, discounts, and premiums) from this issuance will be used for affordable housing programs. Principal payments are due on September 1 of each year from 2025 to 2044. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2025. Total interest requirements for these bonds, with rates ranging from 4.7% to 5.5%, are \$17,773,623.

In December 2024, the City issued \$7,325,000 of Certificates of Obligation, Taxable Series 2024. The new money net proceeds of \$7,400,000 (after issue costs, discounts, and premiums) from this issuance will be used primarily for Waller Creek District (\$6,900,000) and Austin Public Health (\$500,000). Interest is payable March 1 and September 1 of each year from 2025 to 2044, commencing on March 1, 2025. Principal payments are due September 1 of each year from 2025 to 2044. Total interest requirements for this obligation, with rates ranging from 4.7% to 5.5%, are \$3,754,167.

In January 2025, the City issued \$12,160,000 of Combination Tax and Surplus Revenue Certificate of Obligation, Series 2025. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds will be used for improving water quality of Buttermilk Creek through stormwater control measures as well as removal/relocation of deteriorating wastewater infrastructure. Principal payments are due September 1 of each year from 2025 to 2044. Interest payments are due March 1 and September 1 of each year from 2025 to 2044. Total interest requirements for the bonds, at rates ranging from 2.59% to 3.08%, are \$3,978,812.

General obligation bonds authorized and unissued amounted to \$1,392,545 at September 30, 2025. Bond ratings at September 30, 2025, were AAA (S&P Global Ratings), and AAA (Fitch Ratings, Inc.). The City has elected to forego ratings by Moody's for General Obligation issuances after 2022 due to a change in their methodology, but will continue to use Fitch and S&P Global Ratings.

c. Business-Type Activities Long-Term Liabilities

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

9. DEBT AND NON-DEBT LIABILITIES, continued

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

Combined Utility Systems Debt – General - Austin Energy and Austin Water comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of Austin Energy and Austin Water. Revenue bonds authorized and unissued amount to \$1,492,642,660. Bond ratings at September 30, 2025, were Aa2 (Moody's Investors Service, Inc.), AA (S&P Global Ratings), and AA- (Fitch Ratings, Inc.).

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 \$600,000,000 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, 2025, were P-1 (Moody's Investors Service, Inc.), A-1+ (S&P Global Ratings), and F1+ (Fitch Ratings, Inc.). The notes are in denominations of \$100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water.

At September 30, 2025, Austin Energy had tax exempt commercial paper notes of \$177,400,000 outstanding and Austin Water had \$325,500,000 of commercial paper notes outstanding with interest ranging from 2.7% to 3.0%, 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):

Commercial Paper Tax-Exempt Variable Rate Demand Notes

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	J.P. Morgan Chase Bank NA	0.53%	J.P. Morgan Securities, LLC	0.05%	\$ 502,900	06/18/2029

These notes are payable at maturity to the holder at a price equal to principal plus accrued interest. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate. In the event of a default, at the discretion of the bank and with written notice to the City, the outstanding amount of both principal and interest may become immediately due and payable.

Combined Utility Systems Debt – Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the "taxable notes") in an aggregate principal amount not to exceed \$100,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2025, were P-1 (Moody's Investors Service, Inc.), A-1+ (S&P Global Ratings), and F1 (Fitch Ratings, Inc.).

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.

9. DEBT AND NON-DEBT LIABILITIES, continued

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

At September 30, 2025, Austin Energy had outstanding taxable commercial paper notes of \$50,253,000 with interest rates ranging from 4.18% to 4.42%. 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	J.P. Morgan Chase Bank NA	0.53%	J.P. Morgan Securities, LLC	0.05%	\$ 50,253	06/18/2029

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 the respective liquidity provider and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate. In the event of a default, at the discretion of the bank and with written notice to the City, the outstanding amount of both principal and interest may become immediately due and payable.

The taxable notes are secured by a direct-pay Letter of Credit issued by J.P. Morgan Chase Bank NA, which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the ordinance. A 24-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, 2025, were Aa3 (Moody's Investors Service, Inc.), AA- (S&P Global Ratings), and AA- (Fitch Ratings, Inc.).

Electric Utility System Revenue Debt – Revenue Bond Refunding Issues - In December 2024, the City issued \$240,940,000 of Electric Utility System Revenue Refunding Bonds, Series 2024. The net proceeds of \$265,136,780 (after issue costs, premium and discounts) from the issuance are being used to refund \$263,500,000 in tax-exempt commercial paper. Principal payments are due November 15 of each year from 2028 to 2054. Interest payments are due May 15 and November 15 of each year from 2025 to 2054. Total interest requirements for the bonds at a rate of 5.0%, are \$239,142,728. This issuance only encompassed a commercial paper refunding; therefore, there was no real economic gain achieved with this transaction, nor was an accounting loss or gain recorded. The refunding issuances enabled the City to restore the available capacity under its tax-exempt commercial paper notes.

9. 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, 2025 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008 Refunding	2008	\$ 50,000	24,870	6,740 (1)	6.26%	11/15/2025-2032
2010B Refunding	2010	100,990	80,560	40,258 (1)	5.09 - 5.72%	11/15/2025-2040
2012A Refunding	2013	267,770	7,000	2,437 (1)	2.50 - 3.25%	11/15/2025-2040
2012B Refunding	2013	107,715	51,570	2,770 (1)	2.91 - 3.16%	11/15/2025-2027
2015A Refunding	2015	327,845	262,690	159,876 (1)	5.00%	11/15/2025-2045
2015B Refunding	2015	81,045	28,395	12,219 (1)	3.36 - 4.66%	11/15/2025-2037
2017 Refunding	2017	101,570	95,790	41,862 (1)	4.00 - 5.00%	11/15/2025-2038
2019A Refunding	2019	464,540	269,615	29,137 (1)	2.68 - 3.09%	11/15/2025-2031
2019B Refunding	2019	169,850	166,600	130,783 (1)	5.00%	11/15/2025-2049
2019C Refunding	2019	104,775	98,370	49,538 (1)	2.25 - 3.57%	11/15/2025-2049
2020A Refunding	2021	227,495	216,035	149,830 (1)	5.00%	11/15/2025-2050
2020B Refunding	2021	49,870	48,870	21,372 (1)	0.88 - 2.93%	11/15/2025-2050
2023 Refunding	2023	417,615	412,115	303,557 (1)	5.00 - 5.25%	11/15/2025-2053
2024 Refunding	2025	240,940	240,940	234,257 (1)	5.00%	11/15/2028-2054
			<u>\$ 2,003,420</u>			

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

Electric Utility System Revenue Debt – Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2025 (in thousands):

Gross Revenue (1)	Operating Expense (2) (3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
\$ 1,827,789	1,374,512	453,277	173,880	2.61

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation, amortization of excess consideration, other postemployment benefits and net pension liability accruals.

(3) Includes lease and IT subscriptions expenses.

Austin Energy obtained a credit facility with Sumitomo Mitsui Banking Corporation, for an unconditional, irrevocable letter of credit with the Electric Reliability Council of Texas, Inc (ERCOT) as beneficiary, for a maximum amount of \$100,000,000. In conjunction with the letter of credit, Austin Energy entered into a note purchase agreement for a maximum principal amount of \$100,005,000. The agreement has an initial expiration of August 18, 2026, with two one-year automatic extension options. Austin Energy is providing financial security in the form of the letter of credit to ERCOT in compliance with ERCOT Nodal Protocols. Draws made under the note purchase agreement are payable by the City from the resources more fully described in the ordinance. As of September 30, 2025, ERCOT has not drawn on the letter of credit and, therefore the City has not issued any program notes.

Water and Wastewater System Revenue Debt – General - The City is authorized by ordinance to issue Austin Water revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Water. Bond ratings at September 30, 2025, were Aa2 (Moody's Investors Service, Inc.), AA (S&P Global Ratings), and AA- (Fitch Ratings, Inc.).

9. DEBT AND NON-DEBT LIABILITIES, continued

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

Water and Wastewater System Revenue Debt – Revenue Bond Issues - In November 2024, the City issued \$25,000,000 of Water and Wastewater System Revenue Bonds, Series 2024A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$23,256,896 will be used for Austin Water's Advanced Metering Infrastructure program. Principal payments are due November 15 of each year from 2025 to 2044. Interest payments are due May 15 and November 15 of each year from 2025 to 2044. Total interest requirements for the bonds are \$7,444,051, with interest rates ranging from 1.80% to 3.09%.

Water and Wastewater System Revenue Debt – Revenue Bond In-Substance Defeasance - In May 2025, the City defeased \$15,110,000 of separate lien revenue refunding bonds, Series 2015A, \$10,545,000 of separate lien revenue refunding bonds, Series 2016, \$11,385,000 of separate lien revenue refunding bonds, Series 2017, and \$2,180,000 of separate lien revenue refunding bonds, Series 2017A, with a \$2,214,219 cash payment for the 2017A Series and a \$37,993,285 cash payment for the remaining series. The funds were deposited in irrevocable escrow accounts to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt. An accounting loss of \$1,062,679 was recorded and recognized in the current period on the defeasance.

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, 2025 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2010	2010	\$ 31,815	18,025	- (2)	0.00%	11/15/2025-2041
2010B Refunding	2011	100,970	72,390	38,223 (1)	5.25 - 6.02%	11/15/2025-2040
2015A Refunding	2015	249,145	108,415	31,771 (1)	2.85 - 5.00%	11/15/2025-2036
2016 Refunding	2016	247,770	229,225	123,888 (1)	5.00%	11/15/2025-2045
2016A	2017	20,430	12,890	1,539 (1)	1.08 - 2.12%	11/15/2025-2036
2017 Refunding	2017	311,100	226,885	108,065 (1)	3.54 - 5.00%	11/15/2025-2046
2017A	2018	45,175	28,565	3,687 (1)	1.21 - 2.29%	11/15/2025-2037
2018	2019	3,000	2,215	384 (1)	1.66 - 2.61%	11/15/2025-2038
2019	2020	6,200	4,780	619 (1)	0.90 - 1.94%	11/15/2025-2039
2020A	2020	11,200	9,350	389 (1)	0.00 - 0.50%	11/15/2025-2049
2020B	2020	3,800	3,175	249 (1)	0.00 - 0.80%	11/15/2025-2049
2020C Refunding	2021	203,505	200,725	148,965 (1)	5.00%	11/15/2025-2050
2020D	2021	16,995	13,770	1,445 (1)	0.23 - 1.55%	11/15/2025-2040
2021A	2021	10,400	9,070	- (2)	0.00%	11/15/2025-2050
2021B	2021	9,400	8,205	16 (1)	0.00 - 0.06%	11/15/2025-2050
2021 Refunding	2022	216,380	211,715	105,430 (1)	4.00 - 5.00%	11/15/2025-2051
2021C	2022	18,000	15,470	2,152 (1)	0.38 - 1.85%	11/15/2025-2041
2021D	2022	23,100	20,790	218 (1)	0.00 - 0.19%	11/15/2025-2051
2021E	2022	30,000	27,010	530 (1)	0.00 - 0.29%	11/15/2025-2051
2022 Refunding	2023	295,840	269,100	149,691 (1)	5.00%	11/15/2025-2052
2022A	2023	18,000	16,535	5,240 (1)	2.46 - 3.60%	11/15/2025-2042
2022B	2023	24,630	23,400	8,750 (1)	1.57 - 2.61%	11/15/2025-2052
2022C	2023	8,300	7,880	2,810 (1)	1.47 - 2.51%	11/15/2025-2052
2023 Refunding	2023	143,770	143,770	77,483 (1)	5.00%	11/15/2028-2043
2023A	2024	18,000	17,305	5,832 (1)	2.64 - 3.60%	11/15/2025-2043
2024 Refunding	2024	454,190	454,190	321,600 (1)	5.00%	11/15/2025-2053
2024A	2025	25,000	25,000	7,149 (1)	1.80 - 3.09%	11/15/2025-2044
			<u>\$ 2,179,850</u>			

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

(2) Zero interest bond placed with Texas Water Development Board.

9. DEBT AND NON-DEBT LIABILITIES, continued

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

Water and Wastewater System Revenue Debt – Pledged Revenues - The net revenue of Austin Water was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2025 (in thousands):

Gross Revenue (1)	Operating Expense (2) (3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (4)
\$ 762,247	405,173	357,074	155,377	2.30

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation, other postemployment benefits and net pension liability accruals.

(3) Includes lease and IT subscriptions expenses.

(4) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

Airport System Revenue Debt – General - The City's Airport issues airport system revenue bonds to fund Airport capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport fund. Revenue bonds authorized and unissued amount to \$735,795,000. Bond ratings at September 30, 2025, for the revenue bonds were A1 (Moody's Investors Service, Inc.) and A+ (S&P Global Ratings).

Airport System Revenue Debt – Bonds Issued and Outstanding - The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2025 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2013 Revenue	2013	\$ 60,000	20,535	879 (1)	2.25%	11/15/2025-2028 (2)
2014 Revenue	2015	244,495	244,495	146,000 (1)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	122,840 (1)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	85,956 (1)	5.00%	11/15/2026-2046
2019 Revenue	2019	151,720	25,740	644 (1)	5.00%	11/15/2025
2019A Revenue	2019	16,975	16,975	20,794 (1)	5.00%	11/15/2049
2019B Revenue	2019	248,170	234,105	167,859 (1)	5.00%	11/15/2025-2048
2022 Revenue	2022	416,060	416,060	356,692 (1)	5.00 - 5.25%	11/15/2025-2052
			<u>\$ 1,272,875</u>			

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

(2) Series matures on May 15 of the final year.

9. DEBT AND NON-DEBT LIABILITIES, continued

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

Airport System Revenue Debt – Pledged Revenues - The net revenue of the Airport fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2025 (in thousands):

Gross Revenue (1) (5)	Other Available Funds (2)	Operating Expense (3) (4)	Net Revenue and Other Available Funds	Debt Service Requirement (5)	Revenue Bond Coverage
\$ 358,852	18,672	205,695	171,829	74,689	2.30

(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) Includes lease and IT subscriptions expenses.

(5) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.

Effective February 19, 2025, the City is authorized to issue its Airport System Subordinate Lien Revolving Revenue Notes (the “Subordinate Notes”) in a total principal amount not to exceed \$150 million outstanding at any one time, which constitute Subordinate Obligations. The Subordinate Notes are issued pursuant to an ordinance adopted by the City Council on January 30, 2025 (the “Note Program Ordinance”), establishing a “Note Program” that permits the issuance of Subordinate Notes from time to time. The Subordinate Notes are initially to be purchased by Wells Fargo Bank, National Association (the “Note Purchaser”) under a Note Purchase Agreement dated February 1, 2025 (the “Initial NPA”) between the City and the Note Purchaser. The Initial NPA is scheduled to expire on February 18, 2028, unless earlier terminated or extended in accordance with its terms. As of September 30, 2025, the City had issued \$60 million aggregate principal amount of Subordinate Notes, which mature on May 29, 2026. The City intends to refinance maturing Subordinate Notes by issuing long-term debt.

Nonmajor Enterprise Fund Debt:

Convention Center Revenue Debt - General – The City’s Convention Center fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. Revenue bonds authorized and unissued amount to \$760,000. Bond ratings at September 30, 2025, for the revenue bonds were Aa3 (Moody’s Investors Service, Inc.), and AA (S&P Global Ratings).

Convention Center Revenue Debt – Bonds Issued and Outstanding - The following table summarizes all Convention Center refunding revenue bonds outstanding at September 30, 2025 (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	38,380	2,791 (2)	1.62 - 4.43%	11/15/2025-2029
2012 Refunding	2012	20,185	7,795	905 (1)	3.63 - 5.00%	11/15/2025-2029
2016 Refunding	2017	29,080	11,955	567 (1)	1.88%	11/15/2025-2029
			<u>\$ 58,130</u>			

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

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.25% in effect at the end of the fiscal year.

9. DEBT AND NON-DEBT LIABILITIES, continued

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

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	Sumitomo Mitsui Banking Corporation	0.57%	Raymond James	0.06%	\$ 19,190	11/15/2029
2008-B	Sumitomo Mitsui Banking Corporation	0.57%	BofA Securities, Inc.	0.05%	19,190	11/15/2029
					<u>\$ 38,380</u>	

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 semiannual installments over a 5-year amortization period beginning six months from the triggering repayment event. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate. The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid. The City currently has an irrevocable Letter of Credit Reimbursement Agreement, which has provisions within the agreement that, in the event of a default, the bank has the ability to declare the principal and accrued interest immediately due and payable.

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements

Fiscal Year Ended September 30	Governmental Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 106,485	57,078	18,681	16,187	21,345	4,156
2027	107,719	52,018	15,382	15,325	18,240	3,153
2028	104,606	47,573	16,060	14,657	15,930	2,299
2029	88,080	42,760	16,765	13,953	15,350	1,503
2030	84,453	38,859	17,503	13,214	8,420	856
2031-2035	400,895	137,554	123,150	51,393	12,565	600
2036-2040	252,835	63,510	108,179	23,905	-	-
2040-2044	125,680	13,031	38,596	4,335	-	-
Total debt service requirements	<u>1,270,753</u>	<u>452,383</u>	<u>354,316</u>	<u>152,969</u>	<u>91,850</u>	<u>12,567</u>
Less: Unamortized bond discounts	(172)	-	(100)	-	(68)	-
Add: Unamortized bond premiums	102,037	-	40,772	-	4,784	-
Net debt	<u>1,372,618</u>	<u>452,383</u>	<u>394,988</u>	<u>152,969</u>	<u>96,566</u>	<u>12,567</u>

Fiscal Year Ended September 30	Financed Purchase Obligations		Total Governmental Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2026	3,554	89	150,065	77,510	227,575
2027	-	-	141,341	70,496	211,837
2028	-	-	136,596	64,529	201,125
2029	-	-	120,195	58,216	178,411
2030	-	-	110,376	52,929	163,305
2031-2035	-	-	536,610	189,547	726,157
2036-2040	-	-	361,014	87,415	448,429
2040-2044	-	-	164,276	17,366	181,642
Total debt service requirements	<u>3,554</u>	<u>89</u>	<u>1,720,473</u>	<u>618,008</u>	<u>2,338,481</u>
Less: Unamortized bond discounts	-	-	(340)	-	(340)
Add: Unamortized bond premiums	-	-	147,593	-	147,593
Net debt	<u>\$ 3,554</u>	<u>89</u>	<u>1,867,726</u>	<u>618,008</u>	<u>2,485,734</u>

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements, continued

Fiscal Year Ended September 30	Business-type Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,792	798	1,308	1,011	1,829	132
2027	1,891	709	1,369	950	1,075	52
2028	2,009	614	1,435	881	335	8
2029	2,145	514	1,506	810	-	-
2030	1,957	405	1,577	738	-	-
2031-2035	5,110	914	8,760	2,476	-	-
2036-2040	1,105	142	3,116	877	-	-
2041-2045	-	-	1,718	151	-	-
Total debt service requirements	<u>16,009</u>	<u>4,096</u>	<u>20,789</u>	<u>7,894</u>	<u>3,239</u>	<u>192</u>
Less: Unamortized bond discounts	-	-	(186)	-	-	-
Add: Unamortized bond premiums	1,949	-	849	-	122	-
Net debt	<u>17,958</u>	<u>4,096</u>	<u>21,452</u>	<u>7,894</u>	<u>3,361</u>	<u>192</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	905	38	553,153	2,099	187,520	246,070
2027	-	-	-	-	211,700	237,685
2028	-	-	-	-	229,015	228,352
2029	-	-	-	-	258,780	217,575
2030	-	-	-	-	256,090	205,889
2031-2035	-	-	-	-	1,008,395	876,192
2036-2040	-	-	-	-	1,062,075	624,289
2041-2045	-	-	-	-	991,820	370,090
2046-2050	-	-	-	-	693,805	158,261
2050-2054	-	-	-	-	319,150	29,828
Total debt service requirements	<u>905</u>	<u>38</u>	<u>553,153</u>	<u>2,099</u>	<u>5,218,350</u>	<u>3,194,231</u>
Less: Unamortized bond discounts	-	-	-	-	(1,241)	-
Add: Unamortized bond premiums	-	-	-	-	461,475	-
Net debt	<u>\$ 905</u>	<u>38</u>	<u>553,153</u>	<u>2,099</u>	<u>5,678,584</u>	<u>3,194,231</u>

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) A portion of these bonds are variable rate bonds with rates ranging from 1.62% - 4.43%.

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements, continued

Fiscal Year Ended September 30	Business-type Activities, continued (in thousands)				
	Notes from		Total Business-Type Activities		
	Direct Placements (1)		Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2026	\$ 80,245	4,784	826,752	254,932	1,081,684
2027	20,555	4,216	236,590	243,612	480,202
2028	26,170	3,917	258,964	233,772	492,736
2029	15,810	3,545	278,241	222,444	500,685
2030	15,990	3,340	275,614	210,372	485,986
2031-2035	70,480	13,762	1,092,745	893,344	1,986,089
2036-2040	64,380	8,227	1,130,676	633,535	1,764,211
2041-2045	44,030	3,400	1,037,568	373,641	1,411,209
2046-2050	21,460	1,130	715,265	159,391	874,656
2051-2055	8,675	182	327,825	30,010	357,835
Total debt service requirements	<u>367,795</u>	<u>46,503</u>	<u>6,180,240</u>	<u>3,255,053</u>	<u>9,435,293</u>
Less: Unamortized bond discounts	-	-	(1,427)	-	(1,427)
Add: Unamortized bond premiums	-	-	464,395	-	464,395
Net debt	<u>\$ 367,795</u>	<u>46,503</u>	<u>6,643,208</u>	<u>3,255,053</u>	<u>9,898,261</u>

(1) Includes Revenue Notes and Certificates of Obligation.

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements, continued

**Business-type Activities: Austin Energy
(in thousands)**

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 227,653	1,002	82,065	89,533
2027	-	-	99,480	86,209
2028	-	-	97,075	82,572
2029	-	-	104,875	78,555
2030	-	-	99,750	74,285
2031-2035	-	-	397,430	312,832
2036-2040	-	-	356,860	227,609
2041-2045	-	-	331,240	147,183
2046-2050	-	-	289,105	69,780
2051-2055	-	-	145,540	16,078
Total debt service requirements	<u>227,653</u>	<u>1,002</u>	<u>2,003,420</u>	<u>1,184,636</u>
Less: Unamortized bond discounts	-	-	(85)	-
Add: Unamortized bond premiums	-	-	162,355	-
Net debt	<u>227,653</u>	<u>1,002</u>	<u>2,165,690</u>	<u>1,184,636</u>

**Total Austin Energy
Debt Service Requirements**

Fiscal Year Ended September 30	Principal	Interest	Total
2026	309,718	90,535	400,253
2027	99,480	86,209	185,689
2028	97,075	82,572	179,647
2029	104,875	78,555	183,430
2030	99,750	74,285	174,035
2031-2035	397,430	312,832	710,262
2036-2040	356,860	227,609	584,469
2041-2045	331,240	147,183	478,423
2046-2050	289,105	69,780	358,885
2051-2055	145,540	16,078	161,618
Total debt service requirements	<u>2,231,073</u>	<u>1,185,638</u>	<u>3,416,711</u>
Less: Unamortized bond discounts	(85)	-	(85)
Add: Unamortized bond premiums	162,355	-	162,355
Net debt	<u>\$ 2,393,343</u>	<u>1,185,638</u>	<u>3,578,981</u>

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements, continued

Business-type Activities: Austin Water
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Other Tax Supported Debt		Commercial Paper Notes (1)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 77	27	28	6	579	24	325,500	1,097
2027	81	23	28	6	-	-	-	-
2028	82	19	28	4	-	-	-	-
2029	92	15	29	3	-	-	-	-
2030	97	10	30	2	-	-	-	-
2031-2035	109	6	57	3	-	-	-	-
2036-2040	-	-	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-	-	-
2051-2055	-	-	-	-	-	-	-	-
Total debt service requirements	538	100	200	24	579	24	325,500	1,097
Less: Unamortized bond discounts	-	-	(95)	-	-	-	-	-
Add: Unamortized bond premiums	80	-	-	-	-	-	-	-
Net debt	618	100	105	24	579	24	325,500	1,097

Fiscal Year Ended September 30	Revenue Bonds		Notes from Direct Placements (2)		Total Austin Water Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2026	59,000	93,474	12,745	3,734	397,929	98,362	496,291
2027	73,755	90,413	12,900	3,606	86,764	94,048	180,812
2028	91,640	86,557	13,010	3,474	104,760	90,054	194,814
2029	111,685	81,725	13,125	3,332	124,931	85,075	210,006
2030	112,120	76,320	13,265	3,180	125,512	79,512	205,024
2031-2035	411,635	315,539	69,075	13,183	480,876	328,731	809,607
2036-2040	450,175	205,383	62,770	7,857	512,945	213,240	726,185
2041-2045	334,170	103,959	42,560	3,285	376,730	107,244	483,974
2046-2050	175,690	43,718	21,460	1,130	197,150	44,848	241,998
2051-2055	96,545	8,027	8,675	182	105,220	8,209	113,429
Total debt service requirements	1,916,415	1,105,115	269,585	42,963	2,512,817	1,149,323	3,662,140
Less: Unamortized bond discounts	(1,076)	-	-	-	(1,171)	-	(1,171)
Add: Unamortized bond premiums	196,249	-	-	-	196,329	-	196,329
Net debt	\$ 2,111,588	1,105,115	269,585	42,963	2,707,975	1,149,323	3,857,298

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) Includes Revenue Notes and Certificates of Obligation.

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements, continued

**Business-type Activities: Airport
(in thousands)**

Fiscal Year Ended September 30	Revenue Bonds		Notes from Direct Placements (1)	
	Principal	Interest	Principal	Interest
2026	\$ 37,875	61,678	64,950	684
2027	29,585	59,991	5,060	294
2028	31,080	58,474	10,525	179
2029	32,655	56,882	-	-
2030	34,290	55,208	-	-
2031-2035	199,330	247,821	-	-
2036-2040	255,040	191,297	-	-
2041-2045	326,410	118,948	-	-
2046-2050	229,010	44,763	-	-
2051-2055	77,065	5,723	-	-
Total debt service requirements	<u>1,252,340</u>	<u>900,785</u>	<u>80,535</u>	<u>1,157</u>
Less: Unamortized bond discounts	(75)	-	-	-
Add: Unamortized bond premiums	102,799	-	-	-
Net debt	<u>1,355,064</u>	<u>900,785</u>	<u>80,535</u>	<u>1,157</u>

Fiscal Year Ended September 30	Total Airport Debt Service Requirements		
	Principal	Interest	Total
2026	102,825	62,362	165,187
2027	34,645	60,285	94,930
2028	41,605	58,653	100,258
2029	32,655	56,882	89,537
2030	34,290	55,208	89,498
2031-2035	199,330	247,821	447,151
2036-2040	255,040	191,297	446,337
2041-2045	326,410	118,948	445,358
2046-2050	229,010	44,763	273,773
2051-2055	77,065	5,723	82,788
Total debt service requirements	<u>1,332,875</u>	<u>901,942</u>	<u>2,234,817</u>
Less: Unamortized bond discounts	(75)	-	(75)
Add: Unamortized bond premiums	102,799	-	102,799
Net debt	<u>\$ 1,435,599</u>	<u>901,942</u>	<u>2,337,541</u>

(1) Includes \$60,000 of Revenue Notes.

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements, continued

**Business-type Activities: Nonmajor Enterprise
(in thousands)**

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,715	771	1,280	1,005	1,829	132	326	14
2027	1,810	686	1,341	944	1,075	52	-	-
2028	1,927	595	1,407	877	335	8	-	-
2029	2,053	499	1,477	807	-	-	-	-
2030	1,860	395	1,547	736	-	-	-	-
2031-2035	5,001	908	8,703	2,473	-	-	-	-
2036-2040	1,105	142	3,116	877	-	-	-	-
2041-2045	-	-	1,718	151	-	-	-	-
Total debt service requirements	15,471	3,996	20,589	7,870	3,239	192	326	14
Less: Unamortized bond discounts	-	-	(91)	-	-	-	-	-
Add: Unamortized bond premiums	1,869	-	849	-	122	-	-	-
Net debt	17,340	3,996	21,347	7,870	3,361	192	326	14

Fiscal Year Ended September 30	Revenue Bonds (1)		Notes from Direct Placements (2)		Total Nonmajor Enterprise Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2026	8,580	1,385	2,550	366	16,280	3,673	19,953
2027	8,880	1,072	2,595	316	15,701	3,070	18,771
2028	9,220	749	2,635	264	15,524	2,493	18,017
2029	9,565	413	2,685	213	15,780	1,932	17,712
2030	9,930	76	2,725	160	16,062	1,367	17,429
2031-2035	-	-	1,405	579	15,109	3,960	19,069
2036-2040	-	-	1,610	370	5,831	1,389	7,220
2041-2045	-	-	1,470	115	3,188	266	3,454
Total debt service requirements	46,175	3,695	17,675	2,383	103,475	18,150	121,625
Less: Unamortized bond discounts	(5)	-	-	-	(96)	-	(96)
Add: Unamortized bond premiums	72	-	-	-	2,912	-	2,912
Net debt	\$ 46,242	3,695	17,675	2,383	106,291	18,150	124,441

(1) A portion of these bonds are variable rate bonds with rates ranging from 1.62% - 4.43%.

(2) Includes Revenue Notes and Certificates of Obligation.

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.

9. DEBT AND NON-DEBT LIABILITIES, continued

d. Debt Service Requirements, continued

On September 30, 2025, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

<u>Refunded Bonds</u>	<u>Escrow Maturity Dates</u>	<u>Balance (1)</u>
General Obligation		
Public Improvement Bonds, Series 2020	9/1/2026 - 9/1/2029	\$ 265
Austin Water		
Series 2015A	11/15/2025	16,110
Series 2016	11/15/2025 - 11/15/2026	12,225
Series 2017	11/15/2025 - 11/15/2027	15,385
Series 2017A	5/15/2028	2,180
Series 2020C	11/15/2025	1,050
		<u>\$ 47,215</u>

(1) The balances shown have been escrowed to their respective call dates.

10. 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 Plan (City Employees), the City of Austin Police Officers’ Retirement and Pension Plan (Police Officers), and the Fire Fighters’ Relief and Retirement Plan 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’ Plan	Article 6243n
Police Officers’ Plan	Article 6243n-1
Fire Fighters’ Plan	Article 6243e.1

State law governs the three pension systems including benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas. During fiscal year 2025, the Legislature passed, and the Governor signed House Bill 2802 (HB 2802) that enacted substantial reforms to the Fire Fighters’ plan. HB 2802, effective September 1, 2025, is intended to place the plan on an actuarially sound path and to stabilize future contribution requirements. The most significant legislative changes include: transitioning the City from a fixed-rate funding model to an actuarially determined contribution structure; establishing a City contribution rate that includes a payment to amortize the legacy unfunded liability over a 30-year period beginning January 1, 2026; setting a minimum and maximum contribution rate (a corridor) to prevent significant fluctuations in the City’s required contributions; and creating a new benefit tier effective January 1, 2026. Firefighters hired before the effective date will be designated as Group A, while those hired on or after the effective date were designated as Group B. Benefit changes for Group A members were limited to the elimination of interest on non-vested contribution refunds, a modification to the cost-of-living adjustment (COLA) structure, and the implementation of an actuarial benefit reduction for all post-retirement beneficiary designations, regardless of marital status. Group B members retained a similar benefit structure to Group A with adjusted benefit parameters.

Plan Financial Statements – The most recently available financial statements of the pension funds are for the year ended December 31, 2024. 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	4700 Mueller Blvd, Suite 100 Austin, TX 78723 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

10. RETIREMENT PLANS, continued

a. General Information, continued

Classes of Employees Covered – The three pension plans cover substantially all full-time employees. The City Employees' Plan 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' Plan covers all commissioned law enforcement officers and cadets upon enrollment in the Austin Police Academy. Effective January 1, 2022, membership in this fund is comprised of two tiers. Group A includes all Police Officers hired before the effective date, and Group B includes those hired on or after that date. The Fire Fighters' Plan covers all commissioned civil service and Texas state-certified fire fighters with at least six months of service employed by the Austin Fire Department. Effective January 1, 2026, membership in this fund consists of two tiers. Group A includes all Fire Fighters hired before the effective date, and Group B includes those hired on or after that date.

Benefits Provided – Each plan provides service retirement, death, and disability benefits as shown in the following chart. For the City Employees' Plan, 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.

10. RETIREMENT PLANS, continued

a. General Information, continued

	City Employees	Police Officers	Fire Fighters
Eligibility	Group A members qualify for retirement benefits at age 62 with 5 years of creditable service; age 55 with 20 years creditable service; or any age with 23 years creditable service. No reduced benefits are available. Group B members qualify for normal retirement benefits at age 65 with 5 years creditable service or at age 62 with 30 years creditable service. Reduced benefits are available at age 55 with 10 years of creditable service.	Group A members are eligible for retirement benefits at any age with 23 years creditable service or at age 55 with 20 years creditable service (both excluding pre-membership military service). Group B members are eligible for retirement benefits at age 50 with 25 years creditable service (excluding pre-membership military service.) Any member is eligible for retirement at age 62 and any number of years of creditable service.	Members are eligible for retirement benefits upon attaining a normal retirement age of 50 with 10 years of service, or upon completing 25 years of service regardless of age. In addition, Group A is eligible for early retirement benefits at age 45 with at least 10 years of service or 20 years of creditable service, regardless of age.
Calculation	Average of 36 highest months of base pay multiplied by years and months of creditable service multiplied by 3% for Group A and 2.5% for Group B.	For Group A, average of 36 highest months of base salary plus longevity pay multiplied by years and months of creditable service, multiplied by 3.2%. For Group B, 60 months and 2.5% are substituted for 36 months and 3.2%, respectively.	Average of the 36 highest months of base salary plus longevity pay, multiplied by years of service, then multiplied by 3.3% for Group A and 3.0% Group B, with a minimum monthly benefit of \$2,000.
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 retiree benefits. 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 disability retirement options. Members must have 5 years of service if disability is not job related.	After approved for disability benefits, on-duty disability benefit is calculated at 20 years of service for Group A and 25 years for Group B. Members must have 10 years of service if disability is not job related and calculation is based on actual years of service.	For the first 30 months, eligible for retiree benefits based on the greater of service at time of disability or 20 years. After 30 months, continuance of annuity may be reevaluated.
Cost of Living Adjustments (COLA)	The plan does not require automatic COLAs. Such increases must be deemed sustainable by the actuary and approved by the City Council and Board of Trustees of the fund. The most recent COLA went into effect in 2002.	The most recent COLA went into effect in 2007. Effective September 1, 2021, State law no longer allows the board to approve COLAs. Any such future adjustments require legislative approval.	Effective January 1, 2026, the plan provides substantively automatic COLAs. For Group A employees, if certain financial stability tests are met, a maximum of 1.5% COLA can be granted. For Group B employees, performance-based COLAs can be granted based on asset returns.

10. RETIREMENT PLANS, continued

a. General Information, continued

Employees Covered by Benefit Terms – Membership in the plans as of December 31, 2024, is as follows:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Inactive employees or beneficiaries:			
Currently receiving benefits	8,052	1,414	1,032
Entitled to but not yet receiving benefits	1,630	80	36
Nonvested terminated due refunds	2,918	98	-
Active employees	11,783	1,541	1,249
Total	<u>24,383</u>	<u>3,133</u>	<u>2,317</u>

Contributions – For all three systems, minimum contributions are determined by the enabling legislation cited above. In certain cases, the City may contribute at a level greater than that stated in the law. While the contribution requirements for Fire Fighters are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted.

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Employee contribution (percent of earnings)	10% (1)	15%	18.7% (4)
City contribution (percent of earnings)	8.47% (2)	10.78% (3)	22.05% (5)
City contributions year ended September 30, 2025 (in thousands)	\$194,981	60,832	26,843

(1) A rate of 10% was effective January 1, 2025. Prior to that change the rate was 9%.

(2) An ADC of 8.47% was effective January 1, 2025. Prior to that change the rate was 8.68%. The City also contributes according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2023 over a 30-year period. For calendar year 2025 this amount is \$4,275,418 per pay period.

(3) An ADC of 10.78% was effective January 1, 2025. Prior to that change the rate was 9.59%. The City also contributes according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period. For calendar year 2025 this amount is \$1,682,448 per pay period.

(4) Effective January 1, 2026 the rate is subject to a possible increase of up to 2% of pay (20.7% of pay total) if ADC exceeds the corridor maximum.

(5) An ADC will begin calendar year 2026. For Calendar year 2025 the rate will remain 22.05%. The City's will also contribute according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2024 over a 30-year period starting in 2026.

10. RETIREMENT PLANS, continued

b. Net Pension Liability

The City's net pension liability was measured as of December 31, 2024, for all three systems.

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, for all three systems.

Contributions made after the measurement date of the net pension liability, but before the end of the City's reporting period, will be recognized as a reduction of the net pension liability in the subsequent fiscal period.

Actuarial Assumptions – Actuarial assumptions used in the most recent calculation of the net pension liability include:

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.50%	2.50%	2.50%
Projected annual salary increases	3.75% to 6.50%	3.00% to 15.20% Service based (1)	2.50% to 7.00% Service based (2)
Investment rate of return	6.75%	7.25%	7.3%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Experience study period	January 1, 2019 – December 31, 2023	January 1, 2018 – December 31, 2022	Data collected through December 31, 2022
Source for mortality assumptions	PubG-2010 Mortality Table with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2021. Mortality improvement is projected from the mortality table's base year of 2010.	PubS-2010 Mortality Table for males and females. Generational mortality improvements projected from the year 2010 using the ultimate mortality improvement rates in the MP-2021 tables.	PubS(A)-2010 mortality table with mortality improvements projected from the base year of 2010 generationally using MP-2021.

(1) This includes the classification status change upon graduation from the academy.

(2) Fiscal year 2025 salary increase assumption reflects an additional base increase of 1.5% based on the latest agreement between the City of Austin and the Austin Firefighters Association Local 975.

10. RETIREMENT PLANS, continued

b. Net Pension Liability, continued

Development of Long-Term Rate of Return on Investments – Each pension plan utilizes different asset allocations and assumed rates of return in developing the long-term rate of return on investments. However, all three use the same methodology as follows:

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following provides asset allocations and long-term expected real rate of return for each asset class for the three funds.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
City Employees:		
US equity	34%	6.9% to 8.5%
Developed markets equities	16%	7.2% to 8.9%
Emerging markets equities	6%	7.6% to 8.9%
Fixed income	21%	2.4% to 9.2%
Alternative investments	13%	2.4% to 11.2%
Real estate	10%	6.3% to 8.0%
Total	100%	
Police Officers:		
Domestic equity	40%	30% to 50%
International equity	15%	5% to 25%
Other equity	12.5%	0% to 15%
US and non-US fixed income	17.5%	5% to 30%
Other fixed income	0%	0% to 5%
Real estate	15%	0% to 30%
Timber	0%	0% to 5%
Total	100%	
Fire Fighters:		
Domestic Equity	20%	5.6%
Developed Market Equity (non-US)	10%	5.8%
Emerging Market Equity	12%	5.8%
Private Equity	15%	7.0%
Investment Grade Bonds	13%	2.5%
Treasury inflation protected securities	5%	2.2%
High yield	2.5%	4.3%
Bank Loans	2.5%	4.0%
Emerging Market Bonds	7%	4.0%
Core Real Estate	5%	4.6%
Value Add Real Estate	5%	6.7%
Private Natural Resources	3%	6.3%
Total	100%	

10. 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 positions of Police Officers and Fire Fighters funds was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of project benefit payments to determine the total pension liability. The City Employees’ fund was projected to make all projected benefit payments of current and inactive employees through the year 2057. Therefore, the long term expected rate of return on pension plan investments was applied to projected benefit payments through 2057 fiscal year, and the municipal bond rate of 4.08% was applied to all benefit payments after that date, with the resulting blended discount rate being 6.75%.

	City Employees	Police Officers	Fire Fighters
Discount rate	6.75%	7.25%	7.30%
Change since last measurement date	0.00%	0%	1.29%
Long-term expected rate of return on pension plan investments	6.75%	7.25%	7.3%
Cash flow assumptions	Plan member and employer contributions will be made in accordance with the provisions of SB 1444, 88th Texas Legislature.	Plan member and employer contributions will be made in accordance with the provisions of HB 4368, 87th Texas Legislature.	Plan member contributions will be made at current contribution rates. City contributions will be continued at the currently negotiated rate of 22.05%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of each of the pension funds of the City calculated using the long-term expected rate of return on pension plan investments, as well as what the net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
City Employees	5.75%	\$ 3,150,541	6.75%	\$ 2,386,653	7.75%	\$ 1,758,728
Police Officers	6.25%	1,026,083	7.25%	795,680	8.25%	608,271
Fire Fighters	6.30%	497,683	7.30%	349,466	8.30%	224,332

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.

10. 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, 2024, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2023	\$ 5,617,502	1,778,501	1,647,502	9,043,505
Changes for the year:				
Service cost	165,722	37,272	44,637	247,631
Interest	374,970	126,767	97,479	599,216
Benefit changes	-	-	15,475	15,475
Differences between expected and actual experience	84,184	33,169	(2,185)	115,168
Assumption changes	5,513	-	(191,586)	(186,073)
Contribution buy back	-	1,701	-	1,701
Benefit payments including refunds	(290,513)	(98,953)	(96,509)	(485,975)
Net change in total pension liability	339,876	99,956	(132,689)	307,143
Total pension liability at December 31, 2024	5,957,378	1,878,457	1,514,813	9,350,648
Total plan fiduciary net position at December 31, 2023	3,278,692	1,014,902	1,162,695	5,456,289
Changes for the year:				
Employer contributions	183,110	58,012	26,025	267,147
Employee contributions	90,331	23,826	22,071	136,228
Contribution buy back	-	1,701	-	1,701
Pension plan net investment income (loss)	316,279	87,018	53,734	457,031
Benefits payments and refunds	(290,513)	(98,953)	(96,509)	(485,975)
Pension plan administrative and other expense	(7,174)	(3,729)	(2,669)	(13,572)
Net change in total plan fiduciary net position	292,033	67,875	2,652	362,560
Total plan fiduciary net position at December 31, 2024	3,570,725	1,082,777	1,165,347	5,818,849
Net pension liability at December 31, 2023	2,338,810	763,599	484,807	3,587,216
Net pension liability at December 31, 2024	\$ 2,386,653	795,680	349,466	3,531,799

The City Employees' Plan had no significant changes to benefits terms during the measurement period but did have several changes of assumptions that affected the total pension liability including:

- The projected salary assumption was increased from 3.5% to 3.75%.
- Payroll growth assumption was increased from 3.25% to 3.50%.
- DROP election rate was decreased from 15% to 10%.
- The projection scale for generational mortality improvement was updated to the ultimate MP 2021 Scale.
- Disability assumption was updated to the newly-adopted Texas Municipal Retirement System assumption.
- Termination and retirement rates were modified to be more consistent with experience.

The Police Officers' fund had no significant changes to benefit terms or assumptions that affected the total pension liability for the measurement period.

The Fire Fighters' Plan had significant changes to benefit terms and assumptions that affected the total pension liability for the measurement period. Effective January 1, 2026, plan changes included a new tier of benefits for employees in the Fire Fighters' pension system and substantively automatic COLAs. Changes of assumptions included:

- Discount rate was increased from 6.01% to 7.30%.
- Future COLA assumptions of 0.25% per year for Group A and 1.0 % per year for Group B.

10. RETIREMENT PLANS, continued

c. Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2025, was comprised of the following (in thousands):

	Pension Expense
City Employees	\$ 367,972
Police Officers	90,894
Fire Fighters	80,304
Total	<u>\$ 539,170</u>

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

At September 30, 2025, 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	\$ 149,719	47,477	20,624	217,820
Differences between expected and actual experience	162,803	43,282	10,046	216,131
Changes in assumptions	265,423	163,575	184,731	613,729
Net difference between projected and actual earnings on pension plan investments	105,981	28,148	95,485	229,614
Changes in proportionate share (between funds)	45,882	-	-	45,882
Total	<u>729,808</u>	<u>282,482</u>	<u>310,886</u>	<u>1,323,176</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	2,515	5,746	9,805	18,066
Changes in assumptions	367,571	251,930	164,814	784,315
Changes in proportionate share (between funds)	45,882	-	-	45,882
Total	<u>\$ 415,968</u>	<u>257,676</u>	<u>174,619</u>	<u>848,263</u>

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

Fiscal Year Ended September 30	City Employees	Police Officers	Fire Fighters	Total
2026	\$ 139,827	27,693	39,307	206,827
2027	145,390	(6,356)	57,639	196,673
2028	(119,053)	(56,487)	9,030	(166,510)
2029	(2,043)	6,522	8,836	13,315
2030	-	5,957	2,566	8,523
Thereafter	-	-	(1,735)	(1,735)
Total	<u>\$ 164,121</u>	<u>(22,671)</u>	<u>115,643</u>	<u>257,093</u>

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

a. General Information

Plan Description – In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. The City of Austin OPEB Plan is a defined-benefit single-employer plan. Allocation of City funds to pay postemployment benefits other than pensions is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis. The City is under no obligation to pay any portion of the cost of other postemployment benefits for retirees or their dependents. The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Unlike pensions, State law does not provide specific requirements or authority for OPEB. Instead, the City relies on its status as a municipal corporation under Article XI, Section 5 of the Constitution of the State of Texas, the Home Rule Amendment, as the authority under which OPEB is provided to retirees. Any amendments to the OPEB Plan are approved by City Council through the annual budget approval process.

Benefits Provided – Other postemployment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems as described in Note 10 are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

Plan members do not pay into the OPEB Plan while in active employment nor does the City pay on behalf of active employees. The City pays actual claims for medical and prescription drug coverage as a primary provider for non-Medicare eligible, and as a secondary provider for Medicare eligible retirees through either a PPO, HMO, CDHP (Consumer Driven Health Plan), or MA (Medicare Advantage) medical plan as selected by the retiree. The City subsidizes a maximum of 80% of the projected medical premium for retirees, 50% for dependents, and 70% (75% if pre-Medicare) for surviving spouses. Subsidies are based on years of service at retirement as displayed in the table below and are applied to the corresponding maximum reflected above. For example, a retiree with less than five years of service would be eligible for a subsidy of 16% (20% of 80%). Retirees must pay the unsubsidized portion of the premium.

For the 2025 plan year, (January 1 to December 31), the percentage of the maximum subsidy paid by the City was as follows:

Years of Service at Retirement	Percent of Maximum Subsidy Paid by the City
<5	20%
5-9	30%
10-14	50%
15-19	70%
20 and over	100%

The City pays 100% of the retiree's basic life insurance premium. The cost of coverage above the \$1,000 level is paid by the retiree. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of vision premiums and certain dental premiums. If excise tax is payable in the future, it is assumed that these costs will also be paid by the retirees.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

a. General Information, continued

Employees Covered by Benefit Terms – The City has elected to do biennial actuarial valuations of its other postemployment benefits liability with a roll forward in the off years. The current year is a roll forward year and as a result membership in the plan is presented as of December 31, 2023:

Inactive employees or beneficiaries currently receiving benefits	9,317
Inactive employees entitled to but not yet receiving benefits	4,472
Active employees	14,021
Total	27,810

b. Total OPEB Liability

The City's total OPEB liability of \$1.3 billion was determined by an actuarial valuation as of December 31, 2024, the measurement date. Of the total liability, \$56.4 million is considered to be due within one year.

Contributions made after the measurement date of the net OPEB liability, but before the end of the City's reporting period, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

Actuarial Assumptions and Other Inputs – Actuarial assumptions used in the most recent actuarial valuations are shown below. The majority of the demographic assumptions used in the OPEB valuation are identical to those used in the pension valuations from the previous reporting period. As a result, experience studies performed by the pension systems as described in Note 10a and Required Supplementary Information were also relied upon.

General Assumptions	
Inflation rate	• NA
Salary increases	• Vary by retirement group and years of service
Discount rate	• 4.08%
Experience studies	• Experience for medical, dental, and prescription healthcare costs was based on activity through December 31, 2023.
Healthcare cost trend rates	
Medical and Prescription drug (pre-65)	• 7.44% graded to 4.0% over 17 years
Medical and Prescription drug (post-65)	• 6.44% graded to 4.0% over 13 years
Stop Loss Fees	• 7.44% graded to 4.0% over 17 years
Administrative costs	• 4%
Dental	• 4%
Sources for mortality rate assumptions	
General (Actives)	• PubG-2010 Employee Mortality Table projected generationally using scale MP-2018, applied on a gender-specific basis
General (Healthy Retirees)	• PubG-2010 Healthy Retiree Mortality Table projected generationally using scale MP-2018, applied on a gender-specific basis
General (Disabled Retirees)	• PubG-2010 Disabled Retiree Mortality Table, set forward three years, projected generationally using scale MP-2018, applied on a gender-specific basis, 3% rate minimum
Police (Actives)	• PubS-2010 Employee Mortality Table projected generationally using scale MP-2018, applied on a gender-specific basis
Police (Healthy Retirees)	• PubS-2010 Healthy Retiree Mortality Table projected generationally using scale MP-2018, applied on a gender-specific basis
Police (Disabled Retirees)	• PubS-2010 Disabled Mortality Table projected generationally using scale MP-2018, applied on a gender-specific basis
Fire (Actives)	• PubS-2010 Employee Mortality Table projected generationally using scale MP-2021, applied on a gender-specific basis
Fire (Healthy Retirees)	• PubS-2010 Healthy Retiree Mortality Table projected generationally using scale MP-2021, applied on a gender-specific basis
Fire (Disabled retirees)	• PubS-2010 Disabled Mortality Table projected generationally using scale MP-2021, applied on a gender-specific basis

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

b. Total OPEB Liability, continued

Discount Rate – The discount rate for OPEB, which is funded entirely on a pay-as-you-go basis, is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the OPEB measurement at December 31, 2024, the City’s actuaries used the Bond Buyer 20-Bond GO Index of 4.08%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the City’s total OPEB liability calculated using the discount rate discussed above, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate (in thousands).

1% Decrease		Current Discount Rate		1% Increase	
Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
3.08%	\$ 1,581,919	4.08%	\$ 1,317,643	5.08%	\$ 1,113,214

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the City’s total OPEB liability calculated using the healthcare cost trend rates displayed above, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current rates (in thousands).

1% Decrease	Current Rate	1% Increase
Total OPEB Liability	Total OPEB Liability	Total OPEB Liability
\$1,088,011	\$1,317,643	\$1,620,113

Schedule of Changes in Total OPEB Liability – Changes in the total OPEB liability for the measurement period ended December 31, 2024 are as follows (in thousands):

Total OPEB liability at December 31, 2023	<u>\$ 3,245,417</u>
Changes for the year:	
Service cost	139,272
Interest	109,382
Benefit changes	(1,956,936)
Differences between expected and actual experience	(6,582)
Assumption changes	(147,273)
Benefit payments	(65,637)
Net change in total OPEB liability	<u>(1,927,774)</u>
Total OPEB liability at December 31, 2024	<u>\$ 1,317,643</u>

The OPEB benefit plan changes included:

- In 2024, the City announced it would offer retiree Medicare coverage only through the Medicare Advantage (MA) plan. Effective January 1, 2025, enrollment in the MA plan is mandatory. In the prior valuation, only 30% of future Medicare-eligible retirees were assumed to elect the MA plan. The new mandate reduces the City’s liability, as all current and future Medicare retirees must now enroll.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

b. Total OPEB Liability, continued

The OPEB plan assumption changes included:

- Updating the trend rates to an initial rate of 7.75% (6.75% for Post-65) grading down to an ultimate rate of 4.00%. The initial rate and the grade down period is extended to account for recent inflationary pressures and price increases over the next couple of years.
- Updating per capita claims costs calculated on a per member per month basis, adjusted for age, gender, Medicare integration, plan design changes, and applicable trends.
- Increasing the discount rate from 3.26% to 4.08% based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date.

c. Other Postemployment Benefits Expense

For the fiscal year ended September 30, 2025, the City recognized a negative OPEB expense of \$1.7 billion.

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

At September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows	Deferred Inflows
Benefit payments subsequent to the measurement date	\$ 36,138	-
Differences between expected and actual experience	230,906	10,385
Changes in assumptions	539,184	1,015,516
Changes in proportionate share (between funds)	65,163	65,163
Total	\$ 871,391	1,091,064

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

Fiscal Year Ended September 30	
2026	\$ 32,281
2027	(18,985)
2028	(123,466)
2029	(126,773)
2030	(14,534)
Thereafter	(4,334)
Total	\$ (255,811)

12. DERIVATIVE INSTRUMENTS

The City has derivative instruments 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 derivative instruments must be categorized into three basis types – (1) hedging derivative instruments, (2) investment derivative instruments, and (3) other 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. Derivative instruments that are intended as hedges but do not meet the criteria of an effective hedge are considered other derivative instruments. 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 and other 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 and sale of natural gas, energy, capacity, and congestion price volatility, Austin Energy has established a Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, forwards, options, swaps and congestion revenue rights for the purpose of reducing exposure to natural gas, energy, capacity, and congestion price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

Hedging Derivative Instruments

Natural Gas Derivative Instruments

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

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period, using a hierarchy level 2 market approach. The fair value is calculated by deriving the difference between the closing futures price on the last day of the reporting period and purchase price at the time the positions were established. The fair value of the options is categorized as hierarchy level 2, calculated using the Black/Scholes valuation method utilizing implied volatility based on the NYMEX closing settlement prices of the options as of the last day of the reporting period, including any necessary price analysis adjustments, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2025, \$0.07 million in premiums were deferred. As of September 30, 2025, the fair value of Austin Energy's futures, options, and swaps has an unrealized gain of \$0.5 million, of which \$1.4 million is reported as derivative instruments in assets and \$0.9 million is reported as derivative instruments in liabilities. The fair values of these derivative instruments are deferred until future periods on the statement of net position using deferred outflows and deferred inflows.

12. DERIVATIVE INSTRUMENTS, continued

a. Energy Risk Management Program, continued

Congestion Revenue Rights Derivative Instruments

Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at fair value. Municipally owned utilities are granted the right to purchase PCRRs at auction at 10-20% of the cost of CRRs. While the instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments, they are generally used by Austin Energy as factors in the cost of transmission, and therefore meet the Normal Purchases and Normal Sales scope exception allowing them to be reported at cost.

In fiscal year 2025, Austin Energy did not sell PCRRs. At September 30, 2025, \$1.3 million gain remained deferred.

On September 30, 2025, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction	Reference Index	Fair Value at September 30, 2025			Change in Fair Value	Premiums Deferred
		Maturity Dates	Notional Volumes	Fair Value		
Long Call Options	Henry Hub	Dec 2026 - Dec 2027	1,825,000 (1)	\$ 640	238	-
Long OTC Swaps	Henry Hub	Dec 2025 - Dec 2027	2,130,000 (1)	744	462	-
Short Futures	Henry Hub	Oct 2025	10,400 (1)	20	20	-
		Derivative instruments	(assets)	1,404	720	-
Long Put Options	Henry Hub	Dec 2025	305,000 (1)	(81)	(81)	(70)
Short OTC Put Options	Henry Hub	Dec 2026 - Dec 2027	(1,825,000)(1)	(809)	(809)	-
		Derivative instruments	(liabilities)	(890)	(890)	(70)
		Total		\$ 514	(170)	(70)

(1) Volume In MMBTUs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates. Any realized gains and losses related to the hedging activity derivative instruments are recognized in the period realized.

Risks

Credit Risk. Credit risk is the risk of loss due to a counterparty defaulting on its obligations. Austin Energy's power supply derivative instruments contracts expose Austin Energy to custodial credit risk on exchange-traded derivative instruments positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected.

The over-the-counter agreements expose Austin Energy to credit risk. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit ratings and strict oversight by federal regulators. The contractual provisions applied to these contracts under the International Swaps and Derivatives Association (ISDA) agreement include collateral provisions at specified thresholds. At September 30, 2025, Austin Energy had no collateral posted under these provisions and held \$89 million of collateral from counterparties for physical transactions.

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.

12. DERIVATIVE INSTRUMENTS, continued

a. Energy Risk Management Program, continued

Termination Risk. Termination risk is the risk that a derivative instrument will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. Termination risk for exchange-traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission. Austin Energy's exposure to termination risk for over-the-counter agreements is mitigated due to the high credit rating of the counterparties and the contractual provisions under the ISDA agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivative instruments up to the fair value of the instruments.

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

Basis Risk. Austin Energy is exposed to basis risk on its power supply hedges because the expected commodity purchases being hedged will price based on a delivery point (Katy/HSC) different than that at which the financial hedging contracts are expected to settle i.e. NYMEX (Henry Hub). As of September 30, 2025, the NYMEX price was \$3.12 per MMBTU (one million British thermal unit, a measurement of heating value), Katy was \$2.98 per MMBTU, and the HSC Hub price was \$2.94 per MMBTU.

b. Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of each of the City's swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

As of September 30, 2025, the City has one outstanding swap transaction with initial and outstanding notional amounts totaling \$125.3 million and \$38.4 million, respectively. The fair value of the interest rate derivative instrument transaction was estimated based on an independent pricing service. The valuation provided was 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 transaction, 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 value of the transactions is categorized as Level 2.

On September 30, 2025, the City had the following outstanding interest rate swap hedging derivative instrument (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date	Notional Amount	Fair Value
Business-Type Activities:						
Hedging derivatives:						
HOT1	Hotel Occupancy Tax Subordinate Lien					
	Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive 67% of SOFR	8/14/2008	11/15/2029	\$ 38,380	(754)

12. DERIVATIVE INSTRUMENTS, continued

b. Variable Rate Debt Management Program, continued

The City's swap is a pay-fixed interest rate swap. It was entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

The fair value of the City's interest rate swap hedging derivative instrument 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 agreement as of September 30, 2025 (in thousands):

Item	Outstanding Notional Amount	Fair Value and Classification		Change in fair value	
		Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
HOT1	\$ 38,380	(754)	Non-current liability	(361)	

The City's interest rate swap hedging derivative instrument had a negative fair value as of September 30, 2025. 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, 2025, the City was not exposed to credit risk on 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 instrument at September 30, 2025, are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings		
			Moody's Investors Service, Inc	S&P Global Ratings	Fitch Ratings, Inc
Business-Type Activities:					
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Deutsche Bank AG	A1	A	A

The swap agreement contains collateral agreements with the counterparty. This swap agreement requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreement. For Swap HOT1, the credit support provider is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

Swap payments and associated debt. The net cash flows for the City's interest rate swap hedging derivative instruments for the year ended September 30, 2025, is included in the table below (in thousands):

Item	Related Variable Rate Bonds	Counterparty Swap Interest			Interest to Bondholders	Net Interest Payments
		Pay	Receive	Net		
Business-Type Activities:						
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	\$ (1,281)	1,211	(70)	(1,119)	(1,189)

12. DERIVATIVE INSTRUMENTS, continued

b. Variable Rate Debt Management Program, continued

Basis and interest rate risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. At September 30, 2025, the City bears basis risk on the Swap HOT1. This swap has basis risk since the City receives a percentage of SOFR to offset the actual variable rate the City pays on the related bond. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bond. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

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

Tax risk. Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City's bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 67% of SOFR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bond if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Nonperformance/Termination risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the respective contract. If the swap is terminated, the associated variable rate bond would no longer be hedged to a fixed rate. If at the time of termination, the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City.

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

Investment Derivative Instruments

At September 30, 2025, the City did not have any investment derivative instruments related to interest rate swaps.

c. Swap Payments and Associated Debt

As of September 30, 2025, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable Rate Bonds (in thousands)		Interest Rate Swaps, Net	Total Interest
	Principal	Interest (1)		
2026	\$ 7,160	(29)	1,083	1,054
2027	7,395	(23)	837	814
2028	7,660	(16)	583	567
2029	7,935	(9)	320	311
2030	8,230	(1)	45	44
Total	\$ 38,380	(78)	2,868	2,790

(1) The net effect of the reference rate projected to be paid to the City versus the variable rate projected to be paid to bondholders utilizing rates in effect at the end of the fiscal year.

13. DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2025, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issuances.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
U.S. Department of Homeland Security	\$ 18,090
Project Connect	85
Project Connect - Office	42
Capital Projects Funds:	
2006 fund	
Drainage & open spaces	12
Cultural facilities	539
2012 fund	
Transportation	1,753
2016 fund	
Mobility	83,594
2018 fund	
Affordable housing	12,797
Library & cultural	27,429
Parks	25,063
Open space	64,204
Health	4,296
Public safety	14,828
Transportation	9,272
2020 fund	
Transportation	110,481
2022 fund	
Affordable housing	65,620
Other funds	
General government projects	329,008
Health projects	7,595
Fire - general	19,852
GCP - BSD Deferred Maintenance	1,660
Public Works	316
Colony Park	8,700
GCP - Land Acquisition	9
Waller Creek District	14,011
Nonmajor Enterprise	
Austin Resource Recovery	37,213
Development Services	172,041
Transportation	128,253
Internal Service	
Workers' Compensation	23,347

14. INTERFUND BALANCES AND TRANSFERS

a. Interfund Receivables, Payables, and Advances

Interfund receivables, payables, and advances at September 30, 2025, are as follows (in thousands):

Due To	Due From			Total
	General Fund	Nonmajor Governmental	Austin Energy	
General Fund	\$ -	5	-	5
Nonmajor governmental	193,864	536,464	43	730,371
Internal Service	-	-	4,556	4,556
Total	<u>\$ 193,864</u>	<u>536,469</u>	<u>4,599</u>	<u>734,932</u>

Interfund receivables (due from) and payables (due to) reflect short term loans between funds, mainly the result of a short-term deficits in pooled investments and cash (\$729.4 million). Deficits in capital projects (\$660.8 million) were borrowed from General Fund (\$193.9 million), special revenue fund (\$246.1 million), and other capital projects (\$220.8 million). Additionally, deficits in grant funds awaiting reimbursement from grantors (\$67.6 million) and were borrowed from Fiscal Surety - Land Development Fund. The special revenue funds and capital projects funds referenced herein are reported as nonmajor governmental funds in the table above.

Advances From	Advances to				Total
	Nonmajor Governmental	Austin Energy	Austin Water	Nonmajor Enterprise	
Nonmajor governmental	\$ 123,003	-	-	26	123,029
Austin Energy	-	-	1,187	-	1,187
Nonmajor enterprise	112	-	-	-	112
Internal Service	-	4,601	-	-	4,601
Total	<u>\$ 123,115</u>	<u>4,601</u>	<u>1,187</u>	<u>26</u>	<u>128,929</u>

Advances to and advances from reflect borrowings that will not be liquidated within one year. Advances to nonmajor governmental projects are primarily for transportation and mobility projects, facility renovations, and the acquisition of two real properties that will be funded by bonds and new development fees. Austin Energy transferred the Town Lake Center property to Support Services, which will be paid out by Support Services over a 5-year period. The long-term portion of the payable is reflected as an advance. The Support Services fund referenced herein are reported as internal service funds in the table above.

b. Transfers

Transfers at September 30, 2025, are as follows (in thousands):

Transfers Out	Transfers In							Total
	General Fund	Nonmajor Governmental	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	36,931	-	-	-	12,248	-	49,179
Nonmajor governmental	3,425	134,645	1,290	-	-	141,376	1,325	282,061
Austin Energy	135,163	-	-	-	-	-	341	135,504
Austin Water	56,341	74	1,581	-	-	150	-	58,146
Airport	-	-	741	-	-	-	-	741
Nonmajor enterprise	712	26,339	297	85	-	20	96	27,549
Internal service	65	12,598	171	-	400	-	-	13,234
Total	<u>\$ 195,706</u>	<u>210,587</u>	<u>4,080</u>	<u>85</u>	<u>400</u>	<u>153,794</u>	<u>1,762</u>	<u>566,414</u>

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

- Austin Energy and Austin Water transfer funds to the General Fund (\$191.5 million), which are comparable to a return on investment to owners.
- The Hotel-Motel Occupancy Tax (\$124.8 million) and the Vehicle Rental Tax (\$14.7 million), both reported as special revenue funds and included in the nonmajor governmental funds table above, transferred funds to the Convention Center fund, which is reported as a nonmajor enterprise fund in the table above, in support of convention operations and debt services.
- Affordable Housing capital project funds (\$59.1 million) transferred funds to Austin Housing Finance Corporation, a special revenue fund, in support of affordable housing. Both funds referenced herein are reported as nonmajor governmental funds in the table above.

15. SELECTED REVENUES

Austin Energy and Austin Water

The Public Utility Commission of Texas (PUCT) has jurisdiction over electric utility wholesale transmission rates. The PUCT approved the City's most recent wholesale transmission rate of \$1.24822/KW effective August 24, 2022. Transmission revenues totaled approximately \$103.2 million in fiscal year 2025. 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, 2025, the City has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed-rate component and cost-adjustment factors that allow for recovery of power supply, regulatory, and community benefit costs. If actual costs differ from amounts billed to customers, then regulatory assets or deferred inflows are recorded by Austin Energy. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

16. TAX ABATEMENTS

The City grants tax abatements under one of two programs, the Chapter 380 Performance Based Economic Development Incentive Program under which sales and property taxes may be rebated if the entity meets performance criteria, and the Media Production and Development Zone program under which sales and use taxes may be abated.

a. Performance Based Rebate Program

To promote local economic development and stimulate business and commercial activity in the municipality, the City has granted tax rebate agreements under the authority of Chapter 380 of the Texas Local Government Code through the City's Chapter 380 Performance Based Economic Development Incentive Program. All or a portion of property tax, sales tax, or a combination of the two are abated as a part of these agreements. To be eligible to participate in the program an entity must make a commitment to pay its Austin-based employees no less than the City living wage, 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. 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 project. 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. All taxes are collected and then a portion is refunded if the entity meets commitments made under the agreement. If criteria are not met, no taxes are refunded.

During fiscal year 2025, the City had three active agreements under this program. Two agreements demonstrated compliance with their performance requirements in fiscal year 2024 (monitored in 2025) which resulted in abatement of taxes paid of approximately \$5 million. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur.

b. Exemption Program

The Media Production Development and Zone Program offers exemption to the limited sales, excise, and use taxes to qualified persons who build, construct, renovate, improve, or expand a media production facility within the state. The City does not currently have any agreements in fiscal year 2025 that resulted in exemptions.

The City is not subject to any tax abatement agreements entered into by other governmental entities.

17. 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 the 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 9), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in the FPP was \$25 million as of September 30, 2025. 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 the 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 1,350-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are Constellation Energy Generation and City Public Service of San Antonio. In-service dates for the STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 432 megawatts of plant capacity. At September 30, 2025, Austin Energy's investment in the STP was approximately \$360 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of the 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 the STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of the 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 9). 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 the 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 the 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.

The STP was issued a 20-year license renewal by the Nuclear Regulatory Commission (NRC) in September 2017. Unit 1 and 2 are currently licensed through 2047 and 2048, respectively.

c. South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning the STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted investments held by trustee. The related liability is reported as an asset retirement obligation. Excess or unfunded liabilities related to decommissioning the STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. At September 30, 2025, the trust's assets exceeded total expenses amortized over the pro-rata useful life by \$29.4 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning Trust Assets	\$ 294,478
Pro Rata Decommissioning Expense	(265,107)
	<u>\$ 29,371</u>

The 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 calculation of financial assurance filed for December 31, 2024 showed that the trust assets exceeded the minimum required assurance by \$96.9 million.

17. COMMITMENTS AND CONTINGENCIES, continued

d. Purchase Power

Austin Energy has commitments totaling \$3.5 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, solar through 2046, and geothermal through 2036.

e. Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly and Fayette Power Plants. At September 30, 2025, the financial statements include a \$0.7 million environmental liability. The amount is based on 2025 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f. Airport Grant Agreement

In October 2017, the Airport entered into a grant agreement with ABLE to provide support for ABLE's \$45,600,000 Series 2017 Airport Hotel Senior Revenue Refunding and Improvement Bonds issuance. The bonds are special limited obligations of ABLE and are payable by ABLE from revenues generated from the hotel located adjacent to the airport. Pursuant to the agreement, the Airport agreed to provide financial assistance to restore deficiencies in ABLE's Senior Debt Service Reserve Fund, to the extent that Surplus Airport System Revenues, as defined in the grant agreement, are available. The Airport has no obligation under this agreement to fund a deficiency if the hotel ceases operations nor does the agreement constitute a commitment, conditional or otherwise, to pay the debt service on the bonds. The terms of the agreement end on the date when the bonds are no longer outstanding. As of September 30, 2025, the Airport has provided \$4.8 million in financial assistance to restore deficiencies in ABLE's Senior Debt Service Reserve Fund.

g. Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. The City will be required to rebate the excess amounts to the federal government. The estimated amounts payable at September 30, 2025, was \$2.7 million for governmental activities, \$1.1 million for Austin Energy, \$1.6 million for Austin Water, and \$1.3 million for Airport.

h. Federal and State Financial Assistance Programs

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

17. COMMITMENTS AND CONTINGENCIES, continued

i. Capital Improvement Plan

As required by charter, the City has a Capital Improvements Program plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2025 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	\$ 512,875
Public safety	93,172
Transportation, planning, and sustainability	562,153
Public health	3,629
Public recreation and culture	121,205
Urban growth management	638,912
Business-type activities:	
Electric	265,373
Water	284,227
Wastewater	939,113
Airport	802,796
Convention	136,421
Environmental and health services	11,308
Public recreation and culture	90
Urban growth management	138,095
Total	<u>\$ 4,509,369</u>

j. Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2025 is as follows (in thousands):

	Encumbrances
General Fund	\$ 69,145
Nonmajor governmental	
Special Revenue	44,728
Capital Projects	376,568
	<u>\$ 490,441</u>

Significant encumbrances include reservations for Outreach to Homeless (\$87,662), General Government Projects (\$74,530), 2018 Transportation Programs (\$54,658), and Public Works Grants (\$52,772).

17. COMMITMENTS AND CONTINGENCIES, continued

k. Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery fund, a nonmajor enterprise fund. Closure with TCEQ occurred in May 2021. While the landfill only reached 99.04% capacity, the City is no longer accepting waste. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2025, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	\$ 25,381	20,979	46,360
% capacity used	100%	100%	100%
Cumulative liability accrued	25,381	20,979	46,360
Costs incurred	(25,381)	(4,020)	(29,401)
Closure and postclosure liability	\$ -	16,959	16,959

These amounts are based on the 2025 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

l. Asset Retirement Obligations (ARO)

South Texas Project (STP) – Federal regulations require Austin Energy to perform certain asset retirement obligations related to decommissioning the STP, a nuclear power station located in Bay City, Texas. These regulations are provided by the Nuclear Regulatory Commission (NRC) and require licensed nuclear facilities to follow both technical and financial criteria for decommissioning activities. An external decommissioning cost study is performed every five years. The most recent cost study was completed in May 2023 by TLG Services, Inc. and included a total decommissioning cost estimate of \$2.6 billion. The study assumes that the U.S. Department of Energy will commence pickup of spent fuel from the STP site no later than 2067. Austin Energy, holding a 16% ownership interest in STP, has included a total ARO estimate of \$424.3 million (2025 dollars) and an associated deferred outflow of resources of \$159.1 million. Austin Energy has restricted assets held in an irrevocable trust to cover the eventual decommissioning costs and as of September 30, 2025, trust assets totaled \$294.5 million.

Fayette Power Project (FPP) – Federal and state regulations as well as contractual obligations require Austin Energy to perform certain asset retirement activities associated with our ownership of FPP, two coal-fired electric generating units. A cost study performed by the LCRA assessed the activities required for capital asset retirement and includes a best estimate of the current value of costs to be incurred related to legal or contractual obligations. Austin Energy, holding a 50% ownership in Units 1 and 2 with the LCRA, has included a total ARO estimate of \$25.7 million and an associated deferred outflow of resources of \$18.2 million. Austin Energy, as joint owner of the facility, will amortize the deferred outflow related to regulatory obligations over 16 years, the estimated remaining useful life of the plant.

Wastewater treatment plants – Federal regulations require the City to perform certain asset retirement obligations related to its wastewater treatment plants. The City must close the wastewater treatment facilities in a manner that minimizes the need for further maintenance and minimizes or controls postclosure escape of hazardous waste, hazardous constituents, leachate, contaminated run-off, or hazardous waste decomposition products to the ground or surface waters. Based on historical vendor invoices to remove solids from wastewater treatment plants, the ARO for wastewater treatment plants was approximately \$1.9 million as of September 30, 2025 and is reported as asset retirement obligations in the Austin Water fund, a major enterprise fund. The associated deferred outflow of \$964 thousand will be amortized over the remaining useful lives of the City's wastewater treatment plants, which range from 8 to 39 years.

17. COMMITMENTS AND CONTINGENCIES, continued

I. Asset Retirement Obligations (ARO), continued

Petroleum underground storage tanks – State regulations require the City to perform certain asset retirement obligations pertaining to its petroleum underground storage tanks. Upon retirement of the tanks, the City is required to either remove the tank from the ground, permanently fill the tank in place, or conduct a permanent change in service. The City is opting to remove the tanks from the ground upon retirement. Based on an estimate from a certified vendor, the ARO for petroleum underground storage tanks was approximately \$982 thousand as of September 30, 2025 and is reported as asset retirement obligations in the Fleet Maintenance fund, an internal service fund. The associated deferred outflow of \$576 thousand will be amortized over the remaining useful lives of the City's petroleum underground storage tanks, which range from 2 to 39 years.

m. Risk-Related Contingencies

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

Fund Name	Description
Employee Benefits	City employees and retirees under the age of 65 may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 71% of City employees and 87% of retirees use the PPO option; approximately 8% of City employees and 9% of retirees use the HMO option; and approximately 21% of City employees and 5% of retirees use the CDHP with HSA option. Costs are charged to City funds through a charge per employee per pay period. Retirees over the age of 65 are mandated to enroll in the Medicare Advantage plan starting January 1, 2025. Medicare Advantage plan is a fully-insured medical plan.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other City funds each year based on historical costs. Third-party claims activities are also reported directly in the Austin Energy, Austin Water, and Airport enterprise funds.
Workers' Compensation	Premium charges for this self-insured program are assessed to other funds each year based on the number of full-time equivalent (FTE) employees per fund.

The City purchases stop-loss insurance for the City's PPO, HMO, and CDHP plans. Stop-loss insurance covers individual claims that exceed a stated threshold amount per calendar year. Beginning in 2019 the stated threshold amount is \$750,000 with an unlimited maximum. In fiscal year 2025, nine claims exceeded the stop loss limit of \$750,000. In fiscal year 2024, five claims exceeded the stop loss limit of \$750,000. In fiscal year 2023, six claims exceeded the stop loss limit of \$750,000. City coverage is unlimited for lifetime of benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third-party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage to date. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third-party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The City utilizes actuarial information, which is based on historical claim settlement trends, to determine the claim liabilities for the Employee Benefits fund and Workers' Compensation fund. Claims liabilities for the Austin Energy, Austin Water, Airport, and Liability Reserve funds are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from \$77.7 million to \$101.1 million. In accordance with GAAP, \$77.7 million is recognized as claims payable in the financial statements with \$36.6 million recognized as a current liability and \$41.1 million recognized as long-term liability.

17. COMMITMENTS AND CONTINGENCIES, continued

m. Risk-Related Contingencies, continued

Changes in the balances of claims liability are as follows (in thousands):

	Austin Energy		Austin Water		Airport	
	2025	2024	2025	2024	2025	2024
Liability balances, beginning of year	\$ -	2,262	292	465	-	-
Claims and changes in estimates	499	(1,094)	937	99	106	30
Claim payments	(227)	(1,168)	(451)	(272)	(28)	(30)
Liability balances, end of year	<u>272</u>	<u>-</u>	<u>778</u>	<u>292</u>	<u>78</u>	<u>-</u>

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2025	2024	2025	2024	2025	2024
Liability balances, beginning of year	17,996	20,551	10,054	8,740	45,155	46,703
Claims and changes in estimates	262,860	211,112	7,055	8,079	13,317	6,969
Claim payments	(260,502)	(213,667)	(10,700)	(6,765)	(8,660)	(8,517)
Liability balances, end of year	<u>\$ 20,354</u>	<u>17,996</u>	<u>6,409</u>	<u>10,054</u>	<u>49,812</u>	<u>45,155</u>

The Austin Water fund claims liability balance at fiscal year-end included liabilities of \$258 thousand discounted at 5.05% in 2025 and \$292 thousand discounted at 3.96% in 2024. The claims liability balance for all other funds had no discounted liability in fiscal years 2025 and 2024.

n. No-Commitment Special Assessment Debt

In November 2011, the City issued \$15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$582,883 in total assessments were levied in the year ended September 30, 2025. The aggregate principal outstanding at September 30, 2025 is \$1,865,000.

In November 2011, the City issued \$2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$206,058 in total assessments were levied in the year ended September 30, 2025. The aggregate principal outstanding at September 30, 2025 is \$515,000.

In July 2013, the City issued \$12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$1,994,060 in total assessments were levied during the fiscal year ended September 30, 2025. The aggregate principal outstanding at September 30, 2025 is \$4,505,000.

17. COMMITMENTS AND CONTINGENCIES, continued

n. No-Commitment Special Assessment Debt, continued

In December 2018, the City issued \$4,265,000 and \$8,305,000 of Special Assessment Revenue Bonds, Series 2018 #1 and #2, respectively, related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. 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. \$741,287 in total assessments were levied during the fiscal year ended September 30, 2025. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2025 are \$6,760,000 and \$958 respectively.

In April 2019, the City issued \$4,500,000 of Special Assessment Revenue Bonds, Series 2019 related to the Whisper Valley Public Improvement District, Phase 1. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$291,780 in total assessments were levied during the fiscal year ended September 30, 2025. The aggregate principal outstanding at September 30, 2025 is \$4,180,000.

In December 2022, the City issued \$6,820,000 of Special Assessment Revenue Bonds, Series 2022 related to the Whisper Valley Public Improvement District, Phase 2. 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. \$469,119 in total assessments were levied during the fiscal year ended September 30, 2025. The aggregate principal outstanding at September 30, 2025 is \$6,727,000.

In December 2024, the City issued \$11,990,000 of Special Assessment Revenue Bonds, Series 2024 related to the Whisper Valley Public Improvement District, Phase 3. 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. \$886,615 in total assessments were levied during the fiscal year ended September 30, 2025. The aggregate principal outstanding at September 30, 2025 is \$11,990,000.

18. 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, Aviation and Liability Reserve funds for claims payable at September 30, 2025. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year end.

19. 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, 2025, \$425.2 million in housing revenue bonds were outstanding with an original issue value of \$446.3 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2025, \$144.3 million in revenue bonds were outstanding with an original issue value of \$147.3 million.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

20. 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	\$ 347,623
Advances to other funds	26
Capital assets	260,969
Other noncurrent assets	78,886
Total assets	687,504
Deferred outflows of resources	31,550
LIABILITIES	
Other current liabilities	29,654
Other noncurrent liabilities	122,385
Total liabilities	152,039
Deferred inflows of resources	35,383
NET POSITION	
Net investment in capital assets	203,967
Restricted	88,976
Unrestricted	238,689
Total net position	\$ 531,632
Condensed Statement of Revenues, Expenses, and Changes in Net Position	
OPERATING REVENUES	
User fees and rentals	\$ 24,584
Lease revenue	391
Total operating revenues	24,975
OPERATING EXPENSES	
Operating expenses before depreciation	37,565
Depreciation and amortization	9,489
Total operating expenses	47,054
Operating income (loss)	(22,079)
Nonoperating revenues (expenses)	(63,400)
Transfers	120,135
Change in net position	34,656
Beginning net position, as restated	496,976
Ending net position	\$ 531,632
Condensed Statement of Cash Flows	
Net cash provided (used) by:	
Operating activities	\$ (32,689)
Noncapital financing activities	120,231
Capital and related financing activities	(133,294)
Investing activities	14,922
Net increase (decrease) in cash and cash equivalents	(30,830)
Cash and cash equivalents, beginning	428,408
Cash and cash equivalents, ending	\$ 397,578

21. RESTATEMENTS

a. Change in Accounting Principle

During fiscal year 2025, the City implemented GASB Statement No. 101, *Compensated Absences*, which provides updated guidance on the recognition of compensated leave liabilities. Under this standard, the City is required to recognize a liability for compensated absences based on leave that has been earned as of the end of the fiscal year and is attributable to past service, including amounts expected to be paid upon separation or used as future time off.

As a result of this change, the fiscal year 2025 beginning net position and compensated absences liability for governmental activities was restated by \$3.4 million, and the beginning net position and compensated absences liability for business-type activities was restated by \$2.8 million.

During fiscal year 2025, this change in accounting principle resulted in adjustments to and restatements of beginning net position and fund balance, as follows (in thousands):

	Government-wide				
	Governmental Activities	Business-Type Activities			
September 30, 2024					
Net position, as previously reported	\$ (541,244)	5,398,532			
Adjustments to record:					
Implementation of GASB Statement No. 101	(3,388)	(2,835)			
Net Position, as restated	<u>(544,632)</u>	<u>5,395,697</u>			
	Governmental Funds				
	General Fund				
September 30, 2024					
Fund balance, as previously reported	427,042				
Adjustments to record:					
Implementation of GASB Statement No. 101	(12,584)				
Fund balance, as restated	<u>414,458</u>				
	Proprietary Funds				
					Governmental Activities Internal Service funds
				Nonmajor Enterprise Funds	
September 30, 2024	Austin Energy	Austin Water	Airport		
Net position, as previously reported	1,790,859	1,898,682	996,486	618,645	197,686
Adjustments to record:					
Implementation of GASB Statement No. 101	(782)	(507)	(344)	(1,202)	(916)
Net Position, as restated	<u>\$ 1,790,077</u>	<u>1,898,175</u>	<u>996,142</u>	<u>617,443</u>	<u>196,770</u>

22. SUBSEQUENT EVENTS

a. General Obligation Bonds Issue

In October 2025, the City issued \$377,765,000 of Public Improvement and Refunding Bonds, Series 2025. The net proceeds of \$273,100,000 (after issue costs, discounts, and premiums) from this issuance will be used as follows: streets and mobility (\$161,000,000), park improvements (\$20,000,000), water quality protection (\$55,000,000), cultural arts facility improvements (\$18,000,000), and health & public safety (\$19,100,000). The net proceeds of the refunding portion of \$138,611,301 were used to refund \$111,440,000 Public Improvement Bonds, Series 2015 and \$26,740,000 Certificates of Obligation, Series 2015. Principal payments are due on September 1 of each year from 2026 to 2045. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2026. Total interest requirements for these bonds, at a rate of 5.0%, are \$176,206,012.

In October 2025, the City issued \$266,630,000 of Certificates of Obligation, Series 2025. The new money net proceeds of \$290,995,000 (after issue costs, discounts, and premiums) from this issuance will be used for purchase of properties for consolidation of multiple departments (\$237,975,000), a new Fire/EMS station and station improvements (\$31,500,000), street improvements/transportation projects (\$17,210,000), and waterway repairs/park improvements (\$4,310,000). Principal payments are due September 1 of each year from 2026 to 2045. Interest is payable March 1 and September 1 of each year from 2026 to 2045, commencing on March 1, 2026. Total interest requirements for this obligation, at a rate of 5.0%, are \$159,577,260.

In October 2025, the City issued \$37,720,000 of Public Property Finance Contractual Obligation, Series 2025. The net proceeds of \$40,800,000 (after issue costs, discounts, and premiums) from this issuance will be used for fleet (\$34,285,000), hardware and software systems (\$6,455,000), and public safety (\$60,000). Principal payments are due on May 1 and November 1 of each year from 2026 to 2032. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2026. Total interest requirements for these obligations, with rates ranging from 3.0% to 5.0%, are \$7,594,339.

In October 2025, the City issued \$84,220,000 of Public Improvement Bonds, Taxable Series 2025. The net proceeds of \$85,000,000 (after issue costs, discounts, and premiums) from this issuance will be used for affordable housing programs. Principal payments are due on September 1 of each year from 2026 to 2045. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2026. Total interest requirements for these bonds, with rates ranging from 4.6% to 5.3%, are \$51,924,510.

In October 2025, the City issued \$29,710,000 of Certificates of Obligation, Taxable Series 2025. The new money net proceeds of \$30,025,000 (after issue costs, discounts, and premiums) from this issuance will be used primarily for Waller Creek District and surface improvements (\$14,275,000), Waterloo Confluence (\$7,750,000) and a family violence shelter (\$8,000,000). Interest is payable March 1 and September 1 of each year from 2026 to 2045, commencing on March 1, 2026. Principal payments are due September 1 of each year from 2026 to 2045. Total interest requirements for this obligation, with rates ranging from 4.6% to 5.3%, are \$16,988,644.

b. Water and Wastewater System Revenue Debt – Revenue Bond Issues

In November 2025, the City issued \$10,000,000 of Water and Wastewater System Revenue Bonds, Series 2025A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$9,245,094 will be used for Travis Heights Reclaimed Water project. Principal payments are due November 15 of each year from 2026 to 2045. Interest payments are due May 15 and November 15 of each year from 2026 to 2045. Total interest requirements for the bonds, at rates ranging from 1.7% to 3.4%, are \$3,340,710.

In November 2025, the City issued \$3,000,000 of Water and Wastewater System Revenue Bonds, Series 2025B. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$2,763,849 will be used for Municipal Conservation projects. Principal payments are due November 15 of each year from 2026 to 2045. Interest payments are due May 15 and November 15 of each year from 2026 to 2045. Total interest requirements for the bonds, at rates ranging from 1.7% to 3.4%, are \$1,000,801.

22. SUBSEQUENT EVENTS, continued

c. Water and Wastewater System Revenue Debt - Revenue Bond In-Substance Defeasance, Series 2025

In December 2025, the City defeased \$27,255,000 of separate lien revenue refunding bonds, Series 2015A, \$6,665,000 of separate lien revenue refunding bonds, Series 2016, \$8,690,000 of separate lien revenue refunding bonds, Series 2017, \$1,485,000 of separate lien revenue refunding bonds, Series 2020C, and \$1,890,000 of separate lien revenue refunding bonds, Series 2021. The funds were deposited in irrevocable escrow accounts to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt.

d. Electric Utility System Revenue Debt – Revenue Bond Refunding Issues

In December 2025, the City issued \$417,645,000 of Electric Utility System Revenue Refunding Bonds, Series 2025. The net proceeds of \$454,950,613 (after issue costs, premium and discounts) from the issuance are being used to refund \$201,300,000 in tax-exempt commercial paper and \$250,310,000 in Electric Utility System Revenue Bonds, Series 2015A. Principal payments are due November 15 of each year from 2026 to 2054. Interest payments are due May 15 and November 15 of each year from 2026 to 2055. Total interest requirements for the bonds, at a rate of 5.0%, are \$329,679,888.

e. Airport System Revenue Refunding Bonds, Series 2025 (AMT)

In December 2025, the City issued \$229,150,000 of Airport System Revenue Refunding Bonds, Series 2025 (AMT). Net proceeds of \$247,001,135 (after issues costs, premiums and discounts) from the issuance are being used to refund \$244,495,000 in Airport System Revenue Refunding Bonds, Series 2014. Principal payments are due November 15 of each year from 2026 to 2045. Interest payments are due May 15 and November 15 of each year from 2026 to 2045. Total interest requirements for the bonds, at a rate of 5.0% are \$130,475,048.61.

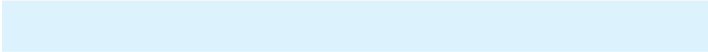
f. Tax Rate Election

On November 4, 2025, voters rejected a proposition to raise the City's property tax rate above the State's no-new-revenue-property tax rate cap of 3.5%, which would have generated additional revenue for fiscal year 2026. Because the election outcome occurred after the September 30, 2025 fiscal year end, no adjustment has been made to amounts reported in these financial statements.

In response to the election outcome, the City Council adopted an amended fiscal year 2026 budget on November 20, 2025. The amended budget removed the revenue previously assumed from Proposition Q and included expenditure adjustments and revisions to the City's financial planning to reflect the reduced revenue capacity.



REQUIRED SUPPLEMENTARY INFORMATION (RSI)



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General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances-Budget and Actual-Budget Basis
For the year ended September 30, 2025
(In thousands)

City of Austin, Texas
RSI

General Fund	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget		Variance Positive (Negative) (3)
				Original	Final	
REVENUES						
Taxes	\$ 1,059,849	100	1,059,949	1,080,198	1,080,198	(20,249)
Franchise fees	29,884	1	29,885	29,908	29,908	(23)
Fines, forfeitures and penalties	9,122	-	9,122	4,809	4,809	4,313
Licenses, permits and inspections	28,444	(234)	28,210	22,038	22,038	6,172
Charges for services/goods	94,043	(2,469)	91,574	82,775	82,775	8,799
Lease revenue	156	(156)	-	-	-	-
Interest and other income (loss)	33,967	108	34,075	49,810	49,810	(15,735)
Total revenues	1,255,465	(2,650)	1,252,815	1,269,538	1,269,538	(16,723)
EXPENDITURES						
General government						
Municipal Court	41,145	1,817	42,962	44,224	44,224	1,262
Public safety						
Emergency Medical Services	122,534	19,568	142,102	144,442	144,442	2,340
Fire	232,525	29,561	262,086	263,156	263,156	1,070
Forensic Science	14,200	532	14,732	14,971	14,971	239
Police	435,344	73,846	509,190	497,211	513,795	4,605
Public health						
Animal Services	20,297	3,467	23,764	23,496	23,496	(268)
Homeless Strategy	26,405	15,209	41,614	41,947	41,947	333
Public Health	88,616	3,699	92,315	94,125	94,125	1,810
Public recreation and culture						
Austin Public Library	58,973	16,362	75,335	76,501	76,501	1,166
Parks and Recreation	120,445	14,287	134,732	136,315	136,315	1,583
Urban growth management						
Housing	15,533	5,008	20,541	24,327	24,327	3,786
Planning	10,565	1,980	12,545	12,771	12,771	226
Other urban growth management	34,456	5,855	40,311	44,624	44,624	4,313
Lease and IT subscription financing principal	8,206	(8,206)	-	-	-	-
Interest expense on leases and IT subscriptions	1,140	(1,140)	-	-	-	-
General city responsibilities (4)	182,455	(172,728)	9,727	33,781	17,197	7,470
Total expenditures	1,412,839	9,117	1,421,956	1,451,891	1,451,891	29,935
Excess (deficiency) of revenues over expenditures	(157,374)	(11,767)	(169,141)	(182,353)	(182,353)	13,212
OTHER FINANCING SOURCES (USES)						
Issuance of lease and IT subscription debt	2,287	(2,287)	-	-	-	-
Transfers in	195,706	50,635	246,341	236,037	236,037	10,304
Transfers out	(49,179)	(56,541)	(105,720)	(101,741)	(102,735)	(2,985)
Other adjustments (1)	-	6,421	6,421	-	-	6,421
Total other financing sources (uses)	148,814	(1,772)	147,042	134,296	133,302	13,740
Excess (deficiency) of revenues and other sources over expenditures and other uses	(8,560)	(13,539)	(22,099)	(48,057)	(49,051)	26,952
Fund balances at beginning of year	414,458	(97,200)	317,258	296,500	296,500	20,758
Fund balances at end of year	\$ 405,898	(110,739)	295,159	248,443	247,449	47,710

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, prepaids, 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 twelve separately budgeted funds in the City's legally adopted budget: the Budgetary General Fund (represented as the General Fund in the City's budget document), plus Barton Springs Conservation, Budget Stabilization Reserve, Economic Development, Economic Incentives Reserve, Emergency Reserve, Iconic Venue, Long Center Capital Improvements, Neighborhood Housing-Housing Trust, Pay for Success, Planning Technology, and Seaholm Parking Garage Revenue. RSI reflects the budgetary comparison for the consolidated General Fund.

The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes interdepartmental charges (\$7,976,976).

b. Budget Amendments

During fiscal year 2025, the General Fund budget for general city responsibilities decreased by \$16,583,833, which was offset by an increase in the Police expenditures budget to cover additional wages and benefits resulting from the new labor contract. An additional amendment increased transfers out in the Economic Incentives Reserve Fund by \$993,700 to support a transfer to the Mueller Local Government Corporation for debt service on outstanding bonds.

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):

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ (8,560)
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(2,676)
Net compensated absences accrual	(278)
Outstanding encumbrances established in current year	(32,040)
Payments against prior year encumbrances	35,280
Other	<u>(13,825)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	<u>\$ (22,099)</u>

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

	2015	2016	2017	2018	2019
Beginning total pension liability	\$ 3,094,056	3,391,796	3,591,376	3,797,823	3,989,560
Changes for the year:					
Service cost	93,506	107,111	107,767	111,438	117,635
Interest	236,844	251,684	266,257	281,404	295,341
Benefit Changes	-	-	-	-	-
Differences between expected and actual experience	13,414	19,914	22,755	1,882	23,672
Assumption changes	123,493	-	-	-	279,897
Benefit payments including refunds	(169,517)	(179,129)	(190,332)	(202,987)	(218,221)
Net change in total pension liability	297,740	199,580	206,447	191,737	498,324
Ending total pension liability	<u>3,391,796</u>	<u>3,591,376</u>	<u>3,797,823</u>	<u>3,989,560</u>	<u>4,487,884</u>
Beginning total plan fiduciary net position	2,209,800	2,144,804	2,299,688	2,650,438	2,461,383
Changes for the year:					
Employer contributions	100,485	104,273	110,846	116,486	123,610
Employee contributions	54,066	60,801	56,194	58,713	63,626
Pension plan net investment income (loss)	(47,608)	171,640	376,820	(157,242)	503,853
Benefits payments and refunds	(169,517)	(179,129)	(190,332)	(202,987)	(218,221)
Pension plan administrative and other expense	(2,422)	(2,701)	(2,778)	(4,025)	(6,218)
Net change in plan fiduciary net position	(64,996)	154,884	350,750	(189,055)	466,650
Ending total plan fiduciary net position	<u>2,144,804</u>	<u>2,299,688</u>	<u>2,650,438</u>	<u>2,461,383</u>	<u>2,928,033</u>
Beginning net pension liability	884,256	1,246,992	1,291,688	1,147,385	1,528,177
Ending net pension liability	<u>\$ 1,246,992</u>	<u>1,291,688</u>	<u>1,147,385</u>	<u>1,528,177</u>	<u>1,559,851</u>
Plan fiduciary net position as a percentage of the total pension liability	63.24%	64.03%	69.79%	61.70%	65.24%
Covered Payroll	\$ 546,058	573,308	609,553	640,464	678,500
City's net pension liability as a percentage of covered payroll	228.36%	225.30%	188.23%	238.60%	229.90%

Notes to the Schedule of Changes in the City Employees' Net Pension Liability and Related Ratios

- This fund had no significant changes of benefit terms in any of the years presented.
- The inflation assumption was decreased from 3.25% to 2.75% in 2015 and to 2.5% in 2019.
- The investment rate of return was decreased from 7.75% to 7.5% in 2015, to 7% in 2019, and to 6.75% in 2021.
- The salary increase assumption was decreased from 4.5% to 4% in 2015, to 3.5% in 2019, and to 3.75% in 2024.
- The new hire wage growth assumption was increased from 3.75% to 4% in 2015 and decreased to 3.5% in 2019.
- The tables for rates of retirement were adjusted in 2015, 2019, and 2024 to be more consistent with experience.
- Termination rate assumptions were revised in 2015, 2019, and 2024 to be more consistent with actual experience.
- Mortality rates were changed from RP-2000 to RP-2014 in 2015 and to PubG-2010 in 2019.
- The discount rate decreased from 7.75% to 7.5% in 2015, to 7% in 2019, and to 6.75% in 2021 mirroring the investment rate of return. In 2022, a single blended discount rate was required resulting in a rate of 5.87%, in 2023 the rate was increased to 6.75%.
- New assumptions were adopted as of December 31, 2024. They are recognized in the Net Pension Liability and will be reflected in the 2026 contribution rates.

	2020	2021	2022	2023	2024
Beginning total pension liability	4,487,884	4,701,215	5,032,043	5,884,128	5,617,502
Changes for the year:					
Service cost	121,881	122,860	132,574	175,912	165,722
Interest	310,319	324,736	335,216	342,518	374,970
Benefit Changes	-	-	-	(5,149)	-
Differences between expected and actual experience	12,524	(11,910)	60,429	122,135	84,184
Assumption changes	-	142,270	588,187	(627,983)	5,513
Benefit payments including refunds	(231,393)	(247,128)	(264,321)	(274,059)	(290,513)
Net change in total pension liability	213,331	330,828	852,085	(266,626)	339,876
Ending total pension liability	4,701,215	5,032,043	5,884,128	5,617,502	5,957,378
Beginning total plan fiduciary net position	2,928,033	3,199,546	3,565,140	2,959,775	3,278,692
Changes for the year:					
Employer contributions	130,743	141,219	146,618	163,839	183,110
Employee contributions	71,470	66,820	69,189	80,573	90,331
Pension plan net investment income (loss)	307,289	411,210	(550,087)	357,113	316,279
Benefits payments and refunds	(231,393)	(247,128)	(264,321)	(274,059)	(290,513)
Pension plan administrative and other expense	(6,596)	(6,527)	(6,764)	(8,549)	(7,174)
Net change in plan fiduciary net position	271,513	365,594	(605,365)	318,917	292,033
Ending total plan fiduciary net position	3,199,546	3,565,140	2,959,775	3,278,692	3,570,725
Beginning net pension liability	1,559,851	1,501,669	1,466,903	2,924,353	2,338,810
Ending net pension liability	1,501,669	1,466,903	2,924,353	2,338,810	2,386,653
Plan fiduciary net position as a percentage of the total pension liability	68.06%	70.85%	50.30%	58.37%	59.94%
Covered Payroll	713,527	743,256	761,246	862,312	971,979
City's net pension liability as a percentage of covered payroll	210.46%	197.36%	384.15%	271.23%	245.55%

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

	2015	2016	2017	2018	2019
Beginning total pension liability	\$ 971,623	1,028,909	1,106,189	1,189,591	1,904,954
Changes for the year:					
Service cost	32,138	32,990	35,322	33,757	71,334
Interest	76,999	80,846	84,472	90,479	89,680
Benefit changes	(4,080)	-	-	-	-
Differences between expected and actual experience	(6,318)	7,455	17,241	(12,905)	(4,743)
Assumption changes	3,904	5,148	-	666,873	179,003
Contribution buy back	4,648	1,668	2,915	1,142	1,261
Benefit payments including refunds	(50,005)	(50,827)	(56,548)	(63,983)	(66,319)
Net change in total pension liability	<u>57,286</u>	<u>77,280</u>	<u>83,402</u>	<u>715,363</u>	<u>270,216</u>
Ending total pension liability	<u>1,028,909</u>	<u>1,106,189</u>	<u>1,189,591</u>	<u>1,904,954</u>	<u>2,175,170</u>
Beginning total plan fiduciary net position	638,019	644,174	686,020	769,475	718,520
Changes for the year:					
Employer contributions	33,239	33,814	35,141	35,244	35,993
Employee contributions	20,061	20,623	21,437	21,461	21,942
Contribution buy back	4,648	1,668	2,915	1,142	1,261
Pension plan net investment income (loss)	(322)	37,965	82,072	(43,398)	148,163
Benefits payments and refunds	(50,005)	(50,827)	(56,548)	(63,983)	(66,319)
Pension plan administrative expense	(1,466)	(1,397)	(1,562)	(1,421)	(1,721)
Net change in plan fiduciary net position	<u>6,155</u>	<u>41,846</u>	<u>83,455</u>	<u>(50,955)</u>	<u>139,319</u>
Ending total plan fiduciary net position	<u>644,174</u>	<u>686,020</u>	<u>769,475</u>	<u>718,520</u>	<u>857,839</u>
Beginning net pension liability	333,604	384,735	420,169	420,116	1,186,434
Ending net pension liability	<u>\$ 384,735</u>	<u>420,169</u>	<u>420,116</u>	<u>1,186,434</u>	<u>1,317,331</u>
Plan fiduciary net position as a percentage of the total pension liability	62.61%	62.02%	64.68%	37.72%	39.44%
Covered Payroll	\$ 152,696	157,303	163,995	164,112	167,835
City's net pension liability as a percentage of covered payroll	251.96%	267.11%	256.18%	722.94%	784.90%

Notes to the Schedule of Changes in the Police Officers' Net Pension Liability and Related Ratios

- This fund had no significant changes of benefit terms in any of the years presented.
- The investment return assumption was decreased annually from 2015 to 2018 from a high of 8% to the current 7.25%.
- The core inflation rate assumption was decreased from 3.25% to 3% in 2016 and to 2.5% in 2018.
- The discount rate decreased annually from 2015 to 2017 from 8% to 7.7% mirroring the investment rate of return. In 2018 and 2019 a blended discount rate was required resulting in rates of 4.7% and 4.1% respectively. As the result of legislative changes which increase future contribution rates, discount rate increased to 7.25% in 2020, again matching the investment rate of return.
- The general wage inflation rate assumption was decreased from 3.5% to 3.25% in 2016, to 2.5% plus a 0.5% promotional increase in 2023.
- In 2016 assumed rates of salary increase were amended at most service points, and in 2018 individual salary increase rates were modified to better reflect the current expectation for inflation and the current step schedule.

	2020	2021	2022	2023	2024
Beginning total pension liability	2,175,170	1,544,153	1,625,187	1,690,002	1,778,501
Changes for the year:					
Service cost	84,469	40,070	38,394	37,991	37,272
Interest	89,376	110,642	116,130	120,456	126,767
Benefit changes	-	-	-	-	-
Differences between expected and actual experience	10,320	6,536	(4,529)	10,339	33,169
Assumption changes	(740,167)	-	-	14,789	-
Contribution buy back	1,941	3,993	2,554	3,100	1,701
Benefit payments including refunds	(76,956)	(80,207)	(87,734)	(98,176)	(98,953)
Net change in total pension liability	(631,017)	81,034	64,815	88,499	99,956
Ending total pension liability	1,544,153	1,625,187	1,690,002	1,778,501	1,878,457
Beginning total plan fiduciary net position	857,839	938,226	1,080,734	933,084	1,014,902
Changes for the year:					
Employer contributions	36,577	35,429	44,419	50,544	58,012
Employee contributions	22,181	21,186	23,811	23,318	23,826
Contribution buy back	1,941	3,993	2,554	3,100	1,701
Pension plan net investment income (loss)	98,573	164,509	(127,690)	105,486	87,018
Benefits payments and refunds	(76,956)	(80,207)	(87,734)	(98,176)	(98,953)
Pension plan administrative expense	(1,929)	(2,402)	(3,010)	(2,454)	(3,729)
Net change in plan fiduciary net position	80,387	142,508	(147,650)	81,818	67,875
Ending total plan fiduciary net position	938,226	1,080,734	933,084	1,014,902	1,082,777
Beginning net pension liability	1,317,331	605,927	544,453	756,918	763,599
Ending net pension liability	605,927	544,453	756,918	763,599	795,680
Plan fiduciary net position as a percentage of the total pension liability	60.76%	66.50%	55.21%	57.07%	57.64%
Covered Payroll	169,308	162,973	336,731	(1) 155,450	158,839
City's net pension liability as a percentage of covered payroll	357.88%	334.08%	224.78%	(1) 491.22%	500.93%

(1) The 2022 covered payroll included legacy liability payment amounts. The City's net pension liability as a percentage of covered payroll, excluding the legacy liability payments, is 482.84%.

Notes to the Schedule of Changes in the Police Officers' Net Pension Liability and Related Ratios, continued

- The payroll growth assumption was increased from 3.5% to 4% in 2016 and decreased from 4% to 3% in 2018.
- An explicit administrative expense load of 0.9% of payroll was added to the normal cost in 2018 and increased to 1.25% in 2023.
- In 2018, mortality rate assumptions were changed to PubS-2010 fully generational mortality improvement using the ultimate mortality improvement rates in the MP tables. Previously RP2000 (fully generational using Scale AA) set back two years - sex distinct were used. Starting in 2023, the PubS-2010 gender-distinct mortality tables projected from 2010 with mortality improvement rates from MP-2021 were used.
- In 2018, termination and retirement rates were modified to be more consistent with experience.
- Prior to 2022, the members and employers contributions are based on statutorily fixed rates. Beginning with January 1 2022, the employer contribution rate is determined actuarially.

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

	2015	2016	2017	2018	2019
Beginning total pension liability	\$ 861,468	913,618	977,723	1,038,801	1,093,179
Changes for the year:					
Service cost	23,309	24,323	23,830	25,131	26,192
Interest	66,405	70,893	75,812	80,552	84,547
Benefit changes	-	5,491	8,964	10,188	8,059
Differences between expected and actual experience	7,193	8,893	4,360	(735)	(9,835)
Assumption changes	-	-	-	(4,779)	12,707
Benefit payments including refunds	(44,757)	(45,495)	(51,888)	(55,979)	(58,824)
Net change in total pension liability	52,150	64,105	61,078	54,378	62,846
Ending total pension liability	913,618	977,723	1,038,801	1,093,179	1,156,025
Beginning total plan fiduciary net position	789,433	785,211	829,610	953,798	909,118
Changes for the year:					
Employer contributions	19,222	19,104	19,242	20,085	21,058
Employee contributions	15,547	15,884	16,319	17,033	17,858
Pension plan net investment income (loss)	6,328	55,569	141,915	(25,114)	141,535
Benefits payments and refunds	(44,757)	(45,496)	(51,888)	(55,979)	(58,824)
Pension plan administrative expense	(562)	(662)	(1,400)	(705)	(852)
Net change in plan fiduciary net position	(4,222)	44,399	124,188	(44,680)	120,775
Ending total plan fiduciary net position	785,211	829,610	953,798	909,118	1,029,893
Beginning net pension liability	72,035	128,407	148,113	85,003	184,061
Ending net pension liability	\$ 128,407	148,113	85,003	184,061	126,132
Plan fiduciary net position as a percentage of the total pension liability	85.95%	84.85%	91.82%	83.16%	89.09%
Covered Payroll	\$ 83,979	86,632	87,266	91,087	95,499
City's net pension liability as a percentage of covered payroll	152.90%	170.97%	97.41%	202.07%	132.08%

Notes to the Schedule of Changes in the Fire Fighters' Net Pension Liability and Related Ratios

- Changes of benefit terms in the form of cost-of-living adjustments were granted on January 1st of each of the following years in the following amounts: 2015 - 1.3%; 2017 - 1.5%; 2018 - 2.2%; 2019 - 2.3%; 2020 - 1.7%; 2021 - 1.4%; and 2022 - 5.4%. There was not a cost-of-living adjustment in 2023 and 2024.
- The inflation assumption was decreased from 3.5% to 2.75% in 2018 and to 2.5% in 2019.
- The investment rate of return was decreased from 7.7% to 7.5% in 2019 and from 7.5% to 7.3% in 2020.
- The payroll growth rate was increased from 2% to 2.5% in 2020.
- An explicit administrative expense load of 1.25% of payroll was added in 2023.
- Since 2018 the PubS-2010 mortality tables were used with mortality improvement project using the MP-2018 tables in 2018, the MP-2019 tables in 2019, the MP-2020 tables in 2020, and MP-2021 tables in 2021 and 2022. Prior to that the RP-2000 (Fully Generational using Scale AA) tables were used. Starting in 2023, the PubS-2010(A) mortality tables were used with generational mortality improvements projected from 2010 using Scale MP-2021.
- Assumptions related to salary increases, retirement rates, retro-drop elections, withdrawal rates and disability rates were all adjusted in 2019 and again in 2023 to be more consistent with experience.

	2020	2021	2022	2023	2024
Beginning total pension liability	1,156,025	1,232,431	1,315,377	1,394,152	1,647,502
Changes for the year:					
Service cost	26,170	28,112	31,101	32,382	44,637
Interest	86,821	91,655	94,234	99,835	97,479
Benefit changes	7,159	30,096	-	-	15,475
Differences between expected and actual experience	(1,671)	3,266	13,461	(6,340)	(2,185)
Assumption changes	21,411	-	20,949	213,909	(191,586)
Benefit payments including refunds	(63,484)	(70,183)	(80,970)	(86,436)	(96,509)
Net change in total pension liability	76,406	82,946	78,775	253,350	(132,689)
Ending total pension liability	1,232,431	1,315,377	1,394,152	1,647,502	1,514,813
Beginning total plan fiduciary net position	1,029,893	1,162,024	1,303,545	1,115,833	1,162,695
Changes for the year:					
Employer contributions	21,311	22,041	22,765	23,958	26,025
Employee contributions	18,073	18,697	19,306	20,318	22,071
Pension plan net investment income (loss)	157,323	171,936	(147,530)	91,231	53,734
Benefits payments and refunds	(63,484)	(70,183)	(80,970)	(86,436)	(96,509)
Pension plan administrative expense	(1,092)	(970)	(1,283)	(2,209)	(2,669)
Net change in plan fiduciary net position	132,131	141,521	(187,712)	46,862	2,652
Ending total plan fiduciary net position	1,162,024	1,303,545	1,115,833	1,162,695	1,165,347
Beginning net pension liability	126,132	70,407	11,832	278,319	484,807
Ending net pension liability	70,407	11,832	278,319	484,807	349,466
Plan fiduciary net position as a percentage of the total pension liability	94.29%	99.10%	80.04%	70.57%	76.90%
Covered Payroll	96,649	99,962	103,244	108,652	118,027
City's net pension liability as a percentage of covered payroll	72.85%	11.84%	269.57%	446.20%	296.09%

RETIREMENT PLANS-TREND INFORMATION, continued

Information pertaining to City contributions to the retirement systems is shown in the following three tables (in thousands). An actuarially determined contribution was calculated for the City Employees' and Police Officers' plan, but was not calculated for the Fire Fighters' plan.

Schedule of Actuarially Determined City Contributions to the City Employees' Plan (in thousands)

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
	\$	\$	\$	\$	
2016	109,725	102,609	7,116	566,227	18.12%
2017	119,038	108,929	10,109	600,726	18.13%
2018	123,058	114,149	8,909	630,631	18.10%
2019	129,910	120,795	9,115	667,256	18.10%
2020	149,110	127,990	21,120	706,471	18.12%
2021	156,682	137,068	19,614	727,280	18.85%
2022	169,668	148,844	20,824	778,048	19.13%
2023	188,420	157,846	30,574	825,575	19.12%
2024	191,859	182,272	9,586	930,452	19.59%
2025	194,981	194,981	-	1,012,337	19.26%

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

Valuation Date	
Date	December 31 of each calendar year occurring during the fiscal year.
Notes	A funding period is solved for through open group projections.
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	Entry Age Normal (all years)
Asset Valuation Method	2017 forward - Expected actuarial value plus 20% recognition of prior years' differences between expected and actual investment income. 2016 - 20% of market plus 80% of expected actuarial value.
Inflation	2.5% for 2020 through 2024, 2.75% for 2016 through 2019
Salary Increases	3.5% to 5.75% for 2020 through 2024, 4% to 6.25% for 2016 through 2019
Investment Rate of Return	6.75% for 2022 through 2025, 7% for 2020 through 2021, and 7.5% for 2016 through 2019
Retirement Age	- Experience-based table of rates that are gender specific. 2020-25 - Last updated for December 31, 2019 valuation pursuant to an experience study of the period ending December 31, 2018. 2016-19 - Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015.
Mortality	2020-25 - PubG-2010 Healthy Retiree Mortality Table (for General employees) for males and females with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female. 2016-19 - RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014.
Other Information	
Notes	- There were no benefit changes during the periods displayed. - An actuarially determined contribution of 8.47% was effective January 1, 2025. Prior to, the rate was 8.68%. The City also contributes according to a fixed payment plan established to eliminate the legacy unfunded liability as of December 31, 2024 over a 30-year period. For calendar year 2025 this amount is \$4,275,418 per pay period. - New assumptions were adopted as of December 31, 2024. They are recognized in the Net Pension Liability and will be reflected in the 2026 contribution rates.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Actuarially Determined City Contributions to the Police Officers' Plan
(in thousands)

Fiscal Year Ended September 30	Actuarially Determined Contribution (1)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
	\$	\$	\$	\$	
2022	47,577	43,030	4,547	157,783	27.27%
2023	47,394	48,311	(917)	154,878	31.19%
2024	55,683	55,683	-	155,273	35.86%
2025	60,832	60,832	-	165,711	36.71%

(1) Effective January 1, 2022 Police contributions are actuarially determined.

Notes to Schedule of Actuarially Determined City Contributions to the Police Officers' plan

Valuation Date	
Date	• December 31, 2024
Notes	• The actuarial assumptions used for the December 31, 2024 actuarial valuation are based on an experience review for the five-year period from January 1, 2018 through December 31, 2022, dated March 20, 2024.
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	• Entry Age Normal
Asset Valuation Method	• 2025 - Smoothed market value recognizing prior 5 years' differences between expected and actual investment income over a period of at most five years. • 2023-24 - Expected actuarial value plus 20% recognition of prior 5 years' differences between expected and actual investment income. • 2022 - Smoothed market value recognition of prior 5 years' differences between expected and actual investment income.
Inflation	• 2.50%
Salary Increases	• 3% to 15.20%
Investment Rate of Return	• 7.25%
Retirement Age	• Experience-based table of rates, last updated for the December 31, 2023 valuation.
Mortality	• 2024-25 - Pubs-2010 gender-distinct mortality tables (employee, healthy retiree, disabled retiree) as appropriate, projected from 2010 with the ultimate mortality improvement rates from MP-2021. • 2023 - Pubs-2010 gender-distinct mortality tables (employee, healthy retiree, disabled retiree) as appropriate, projected from 2010 with the ultimate mortality improvement rates from MP-2018. • 2022 - Pubs-2020 gender-distinct mortality tables (employee, healthy retiree, disabled retiree) as appropriate, projected from 2010 with the ultimate mortality improvement rates from MP-2018.
Other Information	
Notes	• There were no benefit changes during the periods displayed. • Prior to 2022, contributions were statutorily determined and can be found on the next table. Beginning with the January 1, 2022 contributions, the employer contribution rate is determined actuarially. • The ADC actual contribution amount of \$43.0 million in fiscal year 2022 includes \$9.3 million of statutorily required contributions made prior to January 1, 2022. • An actuarially determined contribution of 10.78% was effective January 1, 2025. Prior to that change the rate was 9.59%. The City also contributes according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period. For calendar year 2025 this amount is \$1,682,448 per pay period.

RETIREMENT PLANS-TREND INFORMATION, continued

**Schedule of Statutorily Required City Contributions to the Police Officers' Plan and the Fire Fighters' Plan
(in thousands)**

Fiscal Year Ended September 30	Statutorily Required Contribution (1)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll (2)
	\$	\$	\$	\$	
Police Officers					
2016	33,141	33,141	-	155,476	21.32%
2017	34,717	34,717	-	162,891	21.31%
2018	34,944	34,944	-	163,956	21.31%
2019	35,603	35,617	(14)	167,048	21.32%
2020	36,261	36,268	(7)	170,135	21.32%
2021	35,617	35,619	(2)	163,856	21.74%
2022	9,287	9,287	-	42,724	21.74%
Fire Fighters					
2016	19,145	19,145	-	86,826	22.05%
2017	19,104	19,104	-	86,642	22.05%
2018	19,809	19,809	-	89,834	22.05%
2019	20,890	20,890	-	94,740	22.05%
2020	21,141	21,141	-	95,877	22.05%
2021	21,851	21,851	-	99,099	22.05%
2022	23,496	23,496	-	106,560	22.05%
2023	23,292	23,292	-	105,631	22.05%
2024	25,798	25,798	-	117,003	22.05%
2025	26,843	26,854	(11)	121,737	22.05%

(1) Statutorily required contribution for Police Officers was effective for the first 3 months of fiscal year 2022 (October - December 2021). Effective January 1, 2022 Police contributions are actuarially determined.

(2) Statutorily required contribution for Police Officers from 21.313% in 2016 to 21.737% in 2021.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

The other postemployment benefits plan information for the City's plan provided below represents seven years of trend information. Additional years will be added each year until ten years of trend data is available. Changes in other postemployment benefits liability for the other postemployment benefits plan for each of the eight years ended December 31, 2017 through 2024 (measurement periods) are presented below:

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

	2017	2018	2019	2020	2021	2022	2023	2024
Beginning total OPEB liability	\$ 2,055,627	2,524,897	2,395,447	3,504,494	4,346,367	4,253,955	3,354,718	3,245,417
Changes for the year:								
Service cost	86,687	108,478	88,486	167,027	195,576	220,001	137,703	139,272
Interest	80,132	89,675	100,978	99,915	95,670	92,840	128,554	109,382
Benefit changes	-	231	(3,829)	-	(36,411)	-	(723,999)	(1,956,936)
Differences between expected and actual experience	64,227	-	12,335	(6,103)	64,216	107,084	205,541	(6,582)
Assumption changes	283,099	(274,758)	953,202	631,360	(352,788)	(1,253,523)	216,240	(147,273)
Benefit payments	(44,875)	(53,076)	(42,125)	(50,326)	(58,675)	(65,639)	(73,340)	(65,637)
Net change in total OPEB liability	<u>469,270</u>	<u>(129,450)</u>	<u>1,109,047</u>	<u>841,873</u>	<u>(92,412)</u>	<u>(899,237)</u>	<u>(109,301)</u>	<u>(1,927,774)</u>
Ending total OPEB liability	<u>\$ 2,524,897</u>	<u>2,395,447</u>	<u>3,504,494</u>	<u>4,346,367</u>	<u>4,253,955</u>	<u>3,354,718</u>	<u>3,245,417</u>	<u>1,317,643</u>
Covered-employee payroll	\$ 968,403	1,000,536	1,051,771	1,103,927	1,140,948	1,199,777	1,313,210	1,435,286
City's total OPEB liability as a percentage of covered-employee payroll	260.73%	239.42%	333.20%	393.72%	372.84%	279.61%	247.14%	91.80%

Allocation of City funds to pay postemployment benefits other than pensions is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis. The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For the years ended December 31, 2018 and 2019 there were changes to benefit terms that affected the measurement of the total OPEB liability. There were no significant changes in benefit terms for years ended December 31, 2017, 2020 and 2021. However, plan changes effective January 1, 2022, January 1, 2023, and January 1, 2024 impacted the total OPEB liability. For all years presented there were assumption changes.

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, prepaids, and amounts budgeted as operating transfers.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION, continued

The OPEB plan benefit term changes included:

- Increasing the maximum value of the Health Reimbursement Account (HRA) for retirees in the Consumer Driven Health Plan (CDHP) from \$500 to \$1,000 for individuals and \$1,000 to \$1,500 for families effective January 1, 2019, and decreasing the maximum value of the HRA for retirees in the CDHP from \$1,000 to \$500 for individuals and from \$1,500 to \$1,000 for families effective January 1, 2020.
- Switching health benefit providers from United Healthcare to BlueCross BlueShield effective January 1, 2019. However, the plan of benefits was unchanged and plan costs were not projected to change materially as a result of this change.
- The fully insured Cigna dental PPO option was replaced with the self-insured BlueCross BlueShield BlueCare dental PPO, effective January 1, 2021. Retiree contribution rates for both the prior fully-insured option and the new self-insured option are expected to cover the full cost of the benefits, thus the net OPEB liability associated with dental benefits remain \$0 after the plan change only for the 2020 valuation.
- Effective January 1, 2022, the schedules of benefits for the PPO and HMO plans were changed. These changes included increasing deductibles and copays for individual and family plans.
- In 2023, the City announced its intention to offer a Medicare Advantage (MA) option to its Medicare-eligible retiree population, effective January 1, 2024. A significant number of Medicare-eligible retirees opted for the new MA plan starting on that date. This transition from the City-sponsored plans to the MA option results in a reduction of liability for two key reasons: first, MA plans are structured to eliminate age-related cost differences, and second, the City's contributions toward MA plan premiums are substantially lower than those for other plan premiums.
- In 2024, the City announced its intention to provide retiree Medicare coverage exclusively through the MA plan. Effective January 1, 2025, retiree membership in the MA plan is no longer optional. In the December 31, 2023 valuation, 30% of future Medicare eligible retirees were assumed to elect the MA plan. This represents a reduction in the City's liability as all current and future Medicare retirees must elect the MA plan.

The OPEB plan assumption changes included:

- Adjusting the discount rate based on the Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date as follows: 2017 - 3.44% (from 3.78%), 2018 - 4.1%, 2019 - 2.74%, 2020 - 2.12%, 2021 - 2.06%, 2022 - 3.72%, 2023 - 3.26%, 2024 - 4.08%,
- Updating medical, dental, and prescription drug claim costs each year to reflect the most recent experience,
- Modifying medical and prescriptions drug trend rates in 2017 by splitting the single category from the previous valuation into three categories, grading these categories for different periods, and lowering the ultimate trend rate from 5% to 4.5%; and in 2019 by adjusting 2020 assumed trend rates from 6.5% to 7% for pre-65 and 5.5% to 6% for post-65 and trending rates down at 0.25% rather than 0.5% annually,
- Modifying health care cost trend rates in 2020 by adding a dental category trend rate at 3%,
- Updating the trend rates to an initial 7.75% (6.75% for Post-65) grading down to an ultimate rate of 4.00%. The initial rate and the grade down period is extended to account for recent inflationary pressures and price increases over the next couple of years,
- Updating third-party administrator and vendor administrative expenses to reflect the most recent contracts and assumed trends on such costs, (currently \$597 per covered individual),
- Adjusting retiree enrollment and plan election assumptions in 2019 to be more consistent with actual experience,

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, prepaids, and amounts budgeted as operating transfers.

- Updating firefighters' mortality projection scale in 2023 for all lives to MP-2021, previously MP-2020,
- Updating the marriage assumption for female medical participants and dental participants in 2023,
- Addition of firefighters' separate mortality table for Contingent Survivors in 2021,
- Addition of projected net costs as part of the OPEB liability was made in 2021 after reviewing the actual experience of the self-insured dental PPO beginning January 1, 2021. It was determined that retiree contribution rates do not fully cover the cost of the dental benefits,
- Addition of a separate 70% PPO dental coverage election assumption and a separate PPO dental spouse coverage election assumption of 65% for males and 35% for females in 2021, and
- Adjusting demographic assumptions each year to mirror changes in the pension plan demographic assumptions for the previous plan year. See Required Supplementary Information, Retirement Plans-Trend Information for additional information on these changes.

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, prepaids, and amounts budgeted as operating transfers.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES

General

The following constitutes a summary of certain portions of the Ordinances. This summary should be qualified by reference to other provisions of the Ordinances referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Ordinances in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Ordinances, copies of which may be obtained from the City.

Selected Definitions

“Additional Revenue Bonds” means the additional parity revenue bonds permitted to be issued by the City pursuant to the Ordinances.

“Administrative Expense Fund” means the fund so designated in the Ordinances.

“Administrative Expenses” means the fees, expenses, and indemnification liabilities payable to the Persons to whom fees and expenses are due and owing in connection with the Revenue Bonds and Credit Agreement Obligations incurred in connection with a related series of Revenue Bonds, including, but not limited to the fees and expenses of the related paying agent/registrars, the Credit Providers, the rebate analysts, the remarketing agents and the tender agents, and of which the City is given actual notice at least thirty (30) days prior to the date payment of these amounts is due.

“Airport” means the air carrier airport developed, constructed and operated by the City pursuant to the city-wide election held within the City on May 1, 1993, and designated as the Austin-Bergstrom International Airport (ABIA).

“Airport Consultant” means a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of developing, operating and financing of airports of approximately the same size as the properties constituting the Airport System.

“Airport System” means all airport, heliport and aviation facilities, now or from time to time owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities and services of the Airport, and all additions, extensions, replacements and improvements to the Airport, and all services currently provided, or to be provided, by the City in connection with the Airport, but expressly excluding (i) any heliport or heliports operated by City Departments other than the Department of Aviation, (ii) the Austin consolidated rental car facility, initially financed by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Bonds, Taxable Series 2013 and refinanced by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Refunding Bonds, Taxable Series 2021, as Special Facilities, and (iii) the Mueller Airport Property.

“Aviation Director” means the Executive Director of the City’s Department of Aviation, or any successor or person acting in that capacity.

“Bonds” means the City of Austin, Texas Airport System Revenue and Refunding Bonds, Series 2026A (Non-AMT) and the City of Austin, Texas Airport System Revenue and Refunding Bonds, Series 2026B (AMT), authorized by the Ordinances.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City, or in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are generally authorized or obligated by law or executive order to close.

“Capital Fund” means the fund so designated in the Ordinances.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Construction Fund” means the fund so designated in the Ordinances.

“Credit Agreement” means (i) any agreement of the City entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement.

“Credit Agreement Obligations” means any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense.

“Credit Provider” means the issuer or provider of a Credit Agreement.

“Currently Outstanding Revenue Bonds” means the Series 2013 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019A Bonds, the Series 2019B Bonds, the Series 2022 Bonds, and the Series 2025 Bonds.

“Debt Service” means (i) with respect to a series of Revenue Bonds, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Revenue Bonds, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, and (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty is not in default (specifically excluding Termination Payments, which shall constitute Subordinate Obligations).

“Debt Service Fund” means the fund so designated in the Ordinances.

“Debt Service Requirements” means for any particular period of time, an amount equal to the sum of the following for such period with respect to all or any portion of Revenue Bonds or Credit Agreement Obligations, as applicable, then Outstanding:

A. That portion of interest which would accrue with respect to Revenue Bonds during such period if interest were deemed to accrue only during the 6 month period prior to its payment (12 month period in the case of capital appreciation or compound interest bonds), plus

B. That portion of the principal amount of Revenue Bonds which would accrue during such period if principal was deemed to accrue only during the 12 month period prior to its scheduled payment date (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Revenue Bond redemptions),

less and except any such interest or principal for the payment of which provision has been made by: (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, from interest earned or to be earned thereon, from Airport System funds other than Net Revenues, or from any combination of such sources; and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a dedicated fund or account (including, without limitation, any capitalized interest fund or account), the proceeds of which are required to be transferred as needed into the Debt Service Fund or directly to the paying agent/registrar for the Revenue Bonds.

“Debt Service Reserve Fund” means the fund so designated in the Ordinances.

“Debt Service Reserve Fund Requirement” means the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City’s budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with section 1.148-6 of the regulations promulgated under the Code, exceed the least of: (a) 10% of the stated principal amount of each issue of which such Revenue Bonds or Additional Revenue Bonds are a part; (b) the maximum annual principal and interest requirements of the issue; or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that such additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code and the related regulations promulgated from time to time.

“Debt Service Reserve Fund Surety Bond” means any surety bond, letter of credit, line of credit or insurance policy issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of the Ordinances; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated “Aa3” or higher by Moody’s or “AA-” or higher by Standard & Poor’s.

“Defeasance Obligations” means: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States; (ii) 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 their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (iv) any other then authorized securities or obligations under applicable Texas law in existence on the date the City adopts or approves any proceedings authorizing the issuance of Refunding Revenue Bonds that may be used to defease obligations such as the Bonds.

“Favorable Opinion of Bond Counsel” means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of nationally recognized bond counsel to the effect that, under existing law, such action or omission does not adversely affect the excludability of interest payable on the Bonds from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion of bond counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

“Federal Payments” means those funds received by the Airport System from the federal government or any agency of the federal government as payments for the use of any facilities or services of the Airport System.

“Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the City’s fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

“General Obligation Airport Bonds” means those bonds or other obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes.

“Gross Revenues” means all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. Gross Revenues **expressly excludes:**

- (a) proceeds of any Revenue Bonds and Subordinate Obligations;
- (b) interest or other investment income derived from Revenue Bonds and Subordinate Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;
- (c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport System facilities;
- (d) any revenues derived from any Special Facilities (e.g. customer facility charges) which are pledged to the payment of Special Facilities Bonds;
- (e) insurance proceeds other than loss of use or business interruption insurance proceeds;
- (f) the proceeds of the passenger facility charge (PFC) currently imposed by the City and any other per-passenger charge as may be lawfully authorized;
- (g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;
- (h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes;
- (i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and
- (j) Other Available Funds transferred to the Revenue Fund as provided in the Ordinances.

“Interest Payment Date” means each May 15 and November 15, commencing on the date set forth in the forepart of this Official Statement, until maturity or prior redemption of the Bonds.

“Minimum Capital Reserve” means an amount, designated by the Aviation Director not less frequently than annually at the end of each Fiscal Year, but in any event not more than \$100,000 each Fiscal Year, necessary to accumulate or to reaccumulate in the Capital Fund a reserve in an amount not less than \$1,000,000.

“Moody’s” means Moody’s Ratings, Inc., its successors and assigns, and if this corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall refer to any other nationally recognized securities rating agency designated by the City.

“Mueller Airport Property” means the property and facilities that comprised the former Robert Mueller Municipal Airport, located within the City. The Mueller Airport Property is not part of the Airport System.

“Net Revenues” means that portion of the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

“Note Program Ordinance” means the ordinance of the City adopted by council on January 30, 2025, establishing the “Note Program” and authorizing the issuance of “Program Notes” from time to time in accordance with its terms, together with any amendments to this ordinance adopted by council.

“Operation and Maintenance Expenses” means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, those reasonably allocated City overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; any required rebate of any portion of interest income to the federal government which is payable from Gross Revenues or the Revenue Fund; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of direct City services rendered to the Airport System as are requested from the City by the Airport System and as are reasonably necessary for the operation of the Airport System; costs of issuance of Revenue Bonds and Subordinate Obligations for the Airport System (except to the extent paid from the proceeds); fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but **excluding**:

- (a) any allowance for depreciation;
- (b) costs of capital improvements;
- (c) reserves for major capital improvements, Airport System operations, maintenance or repair;
- (d) any allowance for redemption of, or payment of interest or premium on, Revenue Bonds and Subordinate Obligations;
- (e) any liabilities incurred in acquiring or improving properties of the Airport System;
- (f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;
- (g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;
- (h) liabilities based upon the City’s negligence or other ground not based on contract; and
- (i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

“Operation and Maintenance Reserve Fund” means the fund so designated and created within the Revenue Fund in the Ordinances.

“Other Available Funds” means any amount of unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund, but in no event may this amount exceed twenty-five percent (25%) of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year for purposes of Sections 5.03 (Rate Covenant) and 6.01 (Additional Revenue Bonds) of the Ordinances.

“Outstanding” when used with reference to any Revenue Bonds or Subordinate Obligations means, as of a particular date, all those obligations Revenue Bonds or Subordinate Obligations delivered except: (a) any obligation paid, discharged or cancelled by or on behalf of the City at or before that date; (b) any obligation defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any obligation in lieu of or in substitution for which another obligation was delivered pursuant to the ordinance authorizing the issuance of the obligation.

“Owner” or “Registered Owner,” when used with respect to any Revenue Bond means the person or entity in whose name the Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under the Ordinances.

“Paying Agent/Registrar” means, for the Bonds, U.S. Bank Trust Company, National Association, and its successors in that capacity.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of the government.

“Qualified Put” means any agreement, however denominated, provided by a qualifying financial institution (as described in the next sentence) which contractually commits to purchase, upon no more than seven days’ notice, for not less than a stated price any class or amount of

investment securities or other authorized investments of the City at any time that such investment securities or investments must be liquidated in order to make cash transfers from the fund or account that holds such investments. A Qualified Put may be entered into only with a qualifying financial institution which is (a) a domestic bank the long-term debt of which is rated at least “AA” by Standard & Poor’s and “Aa” by Moody’s, or (b) a foreign bank the long-term debt of which is rated “AAA” by Standard & Poor’s and at least “Aa” by Moody’s, or at least “AA” by Standard & Poor’s and “Aaa” by Moody’s, or (c) a financial institution the long-term debt of which is rated at least “A” by both Standard & Poor’s and Moody’s and agrees to collateralize its obligations under such agreement by lodging with a third party trustee, escrow agent, custodian or other financial third party direct obligations of the United States of America or its agencies with a market value equal to 102% of the difference between the face amount of its purchase obligation under the agreement and the market value of the investment securities to which the agreement relates (based upon periodic market valuations at least monthly). A Qualified Put may be integrated into any investment authorized under Texas law, such as a repurchase agreement.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Renewal and Replacement Fund” means the fund so designated in the Ordinances.

“Renewal and Replacement Fund Requirement” means the amount required to be maintained in the Renewal and Replacement Fund pursuant to the Ordinances, or any greater amount required by any ordinance authorizing any series of Additional Revenue Bonds.

“Revenue Bond Ordinances” means the ordinances authorizing the issuance of the Series 2013 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019A Bonds, the Series 2019B Bonds, the Series 2022 Bonds, the Series 2025 Bonds, the Bonds, and any ordinances pursuant to which Additional Revenue Bonds are issued.

“Revenue Bonds” means the Currently Outstanding Revenue Bonds, the Bonds and each series of bonds, notes or other obligations, other than Credit Agreement Obligations, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances, payable from and secured by a first lien on and pledge of Net Revenues.

“Revenue Fund” means the fund so designated in the Ordinances.

“Rule” means Rule 15c2-12, promulgated by the United States Securities and Exchange Commission.

“Series 2013 Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013.

“Series 2017A Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017A.

“Series 2017B Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017B (AMT).

“Series 2017 Hotel Bonds” means the Austin-Bergstrom Landhost Enterprises, Inc. Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017.

“Series 2017 Hotel Grant Agreement” means that certain Grant Agreement dated as of October 1, 2017, by and between the City and Austin-Bergstrom Landhost Enterprises, Inc.

“Series 2019A Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2019A.

“Series 2019B Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2019B (AMT).

“Series 2022 Bonds” means the City of Austin, Texas, Airport System Revenue Bonds, Series 2022 (AMT).

“Series 2025 Bonds” means the City of Austin, Texas, Airport System Revenue Refunding Bonds, Series 2025 (AMT).

“Special Facilities” means structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of or related to the Airport System, the cost of the construction or other acquisition of which is financed with the proceeds of Special Facilities Bonds.

“Special Facilities Bonds” means those bonds from time to time hereafter issued by the City pursuant to the appropriate provisions of the Ordinances.

“Special Facilities Lease” means any lease or agreement pursuant to which a Special Facility is leased by the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Bonds issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Bonds) and (ii) the operation and maintenance expenses of the Special Facility.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a division of S&P Global Inc., its successors and assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, “Standard & Poor’s” and “S&P” shall refer to any other nationally recognized securities rating agency designated by the City.

“Subordinate Obligations” means each series of bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. The “Program Notes” and “Note Program Costs” (as those terms are defined in the Note Program Ordinance), and the City’s obligation to fund certain reserve fund deficiencies relating to the Series 2017 Hotel Bonds from “Surplus Airport System Revenues” pursuant to the Series 2017 Hotel Grant Agreement, subject in all respects to the terms of the Series 2017 Hotel Grant Agreement and the Revenue Bond Ordinances, constitute Subordinate Obligations.

“Swap Agreement” means a Credit Agreement with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City’s fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody’s, and by Standard & Poor’s, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

“Termination Payment” means an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment under the Swap Agreement. “Termination Payment” shall not include any amount representing an Administrative Expense.

Funds and Flow of Funds

Funds. The Ordinances create or confirm the Revenue Fund, including the Operation and Maintenance Reserve Fund therein, the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, the Renewal and Replacement Fund, the Capital Fund, including a Capital Improvement Account therein, and the Construction Fund. The City may create additional accounts and subaccounts in any of the funds, including accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with the Ordinances.

The Revenue Fund, including the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any capitalized interest fund or account in the Construction Fund) shall be maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts shall be maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund shall be maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the owners of the Revenue Bonds and the proceeds of which shall be pledged, as herein provided, to the payment of the Revenue Bonds. The Administrative Expense Fund shall constitute trust funds which shall be held in trust for the payment of Administrative Expenses to Persons entitled to those Administrative Expenses.

Flow of Funds. Gross Revenues shall be deposited as received by the City into the Revenue Fund. In addition, the City may deposit into the Revenue Fund any Federal Payments not restricted for capital purposes, provided that, so long as the Federal Payments are excluded from the definition of Gross Revenues, the Federal Payments shall be applied solely to the payment of Operation and Maintenance Expenses or capital expenditures and never constitute Net Revenues. Other Available Funds may also be deposited into the Revenue Fund. Moneys from time to time credited to the Revenue Fund shall be applied as follows in the following order of priority:

- (a) First, to provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances.
- (b) Second, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances and any related Credit Agreement Obligations.
- (c) Third, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled to payment when due.
- (d) Fourth, to transfer all amounts to the Debt Service Reserve Fund required by the Revenue Bond Ordinances.
- (e) Fifth, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for payment, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations.
- (f) Sixth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.
- (g) Seventh, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Revenue Bond Ordinances.

- (h) Eighth, to transfer all amounts to the Renewal and Replacement Fund required by the Revenue Bond Ordinances.
- (i) Ninth, the balance shall be transferred to the Capital Fund.

Debt Service Fund. To the extent moneys remain on deposit in any capitalized interest fund or account, there shall be transferred from the capitalized interest fund or account to the Debt Service Fund amounts available to pay the interest coming due on the applicable series of Revenue Bonds at the times provided in the Revenue Bond Ordinances.

On or before the last Business Day of each month so long as any Revenue Bonds remain Outstanding, after making all required payments of Operation and Maintenance Expenses, there shall be transferred into the Debt Service Fund from the Revenue Fund the amount to cause the balance in the Debt Service Fund to equal the Debt Service on all Revenue Bonds and Credit Agreement Obligations accrued, but unpaid, through the end of the current month on all Revenue Bonds and Credit Obligations reasonably expected to accrue and be payable on or before the last Business Day of the next succeeding month.

Debt Service Reserve Fund. The City shall establish and maintain a balance in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement. Each increase in the Debt Service Reserve Fund Requirement resulting from the issuance of Additional Revenue Bonds shall be funded at the time of issuance and delivery of the series of Additional Revenue Bonds by depositing to the credit of the Debt Service Reserve Fund either: (A) proceeds of the Additional Revenue Bonds and/or other lawfully appropriated funds in not less than the amount which will be sufficient to fund fully the Debt Service Reserve Fund Requirement; or (B) a Debt Service Reserve Fund Surety Bond sufficient to provide that portion of the Debt Service Reserve Fund Requirement. The City further expressly reserves the right to substitute at any time a Debt Service Reserve Fund Surety Bond for any funded amounts in the Debt Service Reserve Fund and to apply the funds thereby released, to the greatest extent permitted by law, to any of the purposes for which the related Revenue Bonds. The City shall not employ any Debt Service Reserve Fund Surety Bond unless: (i) the City officially finds that the purchase of the Debt Service Reserve Fund Surety Bond is cost effective; (ii) the Debt Service Reserve Fund Surety Bond does not impose upon the City a repayment obligation (in the event the Debt Service Reserve Fund Surety Bond is drawn upon) greater than can be funded in 18 monthly installments as provided below, payable out of Net Revenues on a parity with the monthly deposits that are otherwise required to be made to the Debt Service Reserve Fund; and (iii) that any interest due in connection with the repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Debt Service Reserve Fund Surety Bond.

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement for the Revenue Bonds or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of such month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement for the Revenue Bonds and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below such amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in such amounts as shall be required to restore the Debt Service Reserve Fund to this amount and to pay this reimbursement obligations within an 18 month period.

The City shall use the Debt Service Reserve Fund to pay the principal of and interest on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for this purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds. The City may use the Debt Service Reserve Fund to make the final payments for the retirement or defeasance of Revenue Bonds, related Credit Agreement Obligations and Administrative Expenses.

Funds and Accounts for Subordinate Obligations. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, the City shall transfer into the funds and accounts as the City may establish pursuant to an ordinance authorizing the issuance or incurrence of Subordinate Obligations, the amounts required pursuant to the ordinance authorizing the issuance or incurrence of Subordinate Obligations to provide for the payment, or to provide reserves for the payment, of the Subordinate Obligations.

Administrative Expense Fund. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the City shall transfer to the Administrative Expense Fund an amount equal to the Administrative Expenses expected to be paid to the Persons entitled to payment in the next succeeding month. Amounts on deposit in the Administrative Expense Fund shall be applied solely to the payment of Administrative Expenses.

General Obligation Airport Bonds. On or before the last Business Day of each month, so long as any General Obligation Airport Bond remains outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and any other fund and account established by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations, the City shall transfer from the Revenue Fund, to the extent amounts are available, the amounts necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

Operation and Maintenance Reserve Fund. The City shall fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two months current Operation and Maintenance Expenses, which amount shall annually be re-

determined by the Aviation Director at the time the recommended budget for the Airport System is submitted to Council, based upon either the Aviation Director's recommended budget for Operation and Maintenance Expenses or the Aviation Director's estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in the Ordinances, there shall be transferred from the Revenue Fund, to the extent amounts are available, to the Operation and Maintenance Reserve Fund an amount equal to 1/12th of the deficiency, if any, in the Operation and Maintenance Reserve Fund as of the last day of the previous Fiscal Year until the required balance in the Operation and Maintenance Reserve Fund is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time: first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Revenue Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency in any of these funds.

Renewal and Replacement Fund. The City has established the Renewal and Replacement Fund Requirement to be \$5,000,000. On or before the last Business Day of each month, if the Renewal and Replacement Fund contains less than the Renewal and Replacement Fund Requirement, then after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as hereinabove provided, and to the Operation and Maintenance Reserve Fund, the City shall transfer from the Revenue Fund, to the extent funds are available, to the Renewal and Replacement Fund an amount equal to 1/12th of the deficiency (being the amount by which the Renewal and Replacement Fund Requirement exceeded the unappropriated balance therein) as of the last day of the previous Fiscal Year and, at the discretion of the City, to pay directly from the Revenue Fund any other costs that could be paid from amounts on deposit in the Renewal and Replacement Fund. The City is required to make these transfers into the Renewal and Replacement Fund until such time as the Renewal and Replacement Fund Requirement has again been accumulated in the Renewal and Replacement Fund. Amounts from time to time credited to the Renewal and Replacement Fund may be used at any time: first, to pay for any costs of replacing depreciable property and equipment of the Airport System and making repairs, replacements or renovations of the Airport System; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency.

Capital Fund. After the City makes all payments and transfers required by the Ordinances, at least annually it shall also transfer all amounts remaining in the Revenue Fund to the Capital Fund; provided, however, that no transfers shall be made to the Capital Fund unless the Debt Service Reserve Fund contains the Debt Service Reserve Fund Requirement and all Administrative Expenses have been paid. Amounts credited to the Capital Improvement Account may be used only for lawful purposes relating to the Airport System, including without limitation, to pay for any capital expenditures or to pay costs of replacing any depreciable property or equipment of the Airport System, to make any major or extraordinary repairs, replacements or renewals of the Airport System, to acquire land or any interest in such land, to pay costs necessary or incident to the closing or disposition of any facility of the Airport System and, at the City's discretion, to be designated as Other Available Funds to be transferred to the Revenue Fund.

Construction Fund. From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into any capitalized interest account established in the Construction Fund for that series the amount of capitalized interest required by the ordinance authorizing issuance of the series of Revenue Bonds. The amounts may be applied to pay interest on the series of Revenue Bonds as provided in the authorizing ordinance.

From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into the applicable Project Account established in the Construction Fund the amounts as shall be provided in the ordinance authorizing the series of Revenue Bonds. The amounts may be applied to pay costs of acquiring, establishing, improving, enlarging, extending, and repairing the Airport System or any project to become part of the Airport System, to reimburse advances made by the City for such costs, to pay costs of issuance of Revenue Bonds and to pay any other capital costs of the Airport System as provided in the ordinance authorizing the series of Revenue Bonds.

Investment of Funds; Transfer of Investment Income. Money in all Funds and Accounts shall, at the option of the City, be invested in the manner provided by Texas law; provided, that all such deposits and investments shall be made in a manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in the Funds and Accounts may be subjected to further investment restrictions imposed from time to time by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations. All such investments shall be valued no less frequently than once per Fiscal Year at market value, except that: (i) any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount, and (ii) any investments which are subject to a Qualified Put may continuously be valued at the amount at which they can be put or sold under the terms of such Qualified Put. For purposes of maximizing investment returns, money in the Funds may be invested, together with money in other Funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of the money or Funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which the money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

All interest and income derived from deposits and investments credited to any of the following funds and accounts shall be applied as follows, except as provided in the following paragraph.

<u>Source of Interest or Income</u>	<u>Fund or Account to which such Interest or Income should be Credited</u>
Revenue Fund	Remains in Revenue Fund
Administrative Fund	Revenue Fund
Debt Service Reserve Fund	Remains in fund until the Debt Service Reserve Fund Requirement is satisfied; thereafter to the Revenue Fund
Operation and Maintenance Reserve Fund	Remains in fund until fully funded; thereafter, to the Revenue Fund
Renewal and Replacement Fund	Remains in fund until Renewal and Replacement Fund Requirement is met; thereafter, to the Revenue Fund
Capital Fund - Capital Improvement Account	Remains in the fund or in the appropriate fund or account therein

Any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in the Ordinances or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of the Owners thereof for federal income tax purposes. Further, to the extent any interest or income in the Debt Service Reserve Fund is allocable to the proceeds of the Revenue Bonds, then such amounts shall be deposited into the Debt Service Fund unless the City receives a Favorable Opinion of Bond Counsel.

So long as any Revenue Bond remains Outstanding, all uninvested moneys on deposit in, or credited to, the Funds and Accounts established or confirmed in the Ordinances shall be secured by the pledge of security, as provided by Texas law.

Additional Bonds

Additional Revenue Bonds. The City reserves the right to issue, for any lawful Airport System purpose, one or more installments of Additional Revenue Bonds payable from and secured on a parity with the Outstanding Revenue Bonds; provided, however, that no series of Additional Revenue Bonds shall be issued unless:

- (a) **No Default.** The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds.
- (b) **Proper Fund Balances.** The City's Chief Financial Officer or trustee, if one has been appointed, shall certify that, upon the issuance of Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit and that the Debt Service Reserve Fund will contain the applicable Debt Service Reserve Fund Requirement or the amount as is required to be funded at that time.
- (c) **Projected Coverage for Additional Revenue Bonds.** An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three consecutive Fiscal Years beginning in the earlier of
 - (i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for the facility or facilities, or
 - (ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of the Additional Revenue Bonds, investment income on such Additional Revenue Bonds or from other appropriated sources (other than Net Revenues),

are equal to at least 125% of the Debt Service Requirements on all Outstanding Revenue Bonds scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

- (d) **Alternate Coverage for Additional Revenue Bonds.** In lieu of the certification described in (c) above, the City's Chief Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 125% of the maximum Debt Service Requirements on all Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.

- (e) **Refunding Bonds.** If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the aggregate Debt Service Requirements after the issuance of the Additional Revenue Bonds do not exceed the aggregate Debt Service Requirements prior to the issuance of the Additional Revenue Bonds; provided, that the annual debt service on the refunding bonds in any Fiscal Year will not be more than 10% higher than it is in any other Fiscal Year.
- (f) **Bond Ordinance Requirements.** Provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the Construction Fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the Revenue Bond Ordinance and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by the Ordinance or any other Revenue Bond Ordinance authorizing Additional Revenue Bonds.
- (g) **Special Provisions for Completion Bonds.** The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with the provisions of the Ordinances.

Completion Bonds. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Airport Project for which Revenue Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required above for the issuance of Additional Revenue Bonds, the following documents:

- (a) a certificate of the consulting engineer engaged by the City to design the Project for which the Completion Bonds are to be issued stating that the Airport Project has not materially changed in scope since the issuance of the most recent series of Revenue Bonds for such purpose (except as permitted in the applicable ordinance authorizing the Revenue Bonds) and setting forth the aggregate cost of the Airport Project which, in the opinion of such consulting engineer, has been or will be incurred; and
- (b) a certificate of the Aviation Director (i) stating that all amounts allocated to pay costs of the Airport Project from the proceeds of the most recent series of Revenue Bonds issued in connection with the Airport Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of the Airport Project; (ii) containing a calculation of the amount by which the aggregate cost of that Airport Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Airport Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Airport Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Airport Project.

For purposes of this Section, the term "Airport Project" means the Airport or any other Airport System facility or project which shall be defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds for the purpose of financing the Airport Project. Any such ordinance may contain such further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of the Airport Project.

Subordinate Obligations. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related to the Subordinate Obligations, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the Revenue Bonds.

Special Facilities Bonds. The City reserves the right in the Ordinances to issue from time to time, in one or more series, Special Facilities Bonds to finance and refinance the cost of any Special Facilities, including all required reserves, all related costs of issuance and other reasonably related amounts, provided that such Special Facilities Bonds shall be payable solely from payments by lessees under Special Facilities Leases and/or other security not provided by the City. In no event shall Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. Unless expressly provided to the contrary in the Ordinances, no default with respect to a Special Facilities Bond shall constitute a default under the Ordinances.

Credit Agreements. To the fullest extent permitted by applicable law, the City expressly reserves the right to purchase and/or enter into Credit Agreements in connection with any series of Revenue Bonds and to pledge to and secure the payment of related Credit Agreement Obligations from Net Revenues and the various funds and accounts established or referred to in the Ordinances to the extent permitted by the Ordinances, and any of the City's other ordinances authorizing the issuance of Additional Revenue Bonds and to enter into credit agreements in connection with any series of Subordinate Obligations.

Particular Covenants

Annual Budget. So long as any Revenue Bond or Credit Agreement Obligation remains Outstanding, the Aviation Director shall, prior to the commencement of each Fiscal Year, prepare and delivery to the chief budget officer of the City, for submission to Council, a recommended annual budget for the Airport System for that Fiscal Year. The City shall adopt annual budgets for the Airport System for each Fiscal Year, containing an estimate of Gross Revenues and only those budgeted expenditures as will produce Net Revenues in an amount not less than the Debt Service and Administrative Expenses when due and make the required deposits to the Debt Service Reserve Fund. After the adoption of the annual Airport System budget by the City, the total expenditures for Operation and Maintenance Expenses will not exceed the total expenditures authorized for the purposes described in the budget, as the budget may from time to time be amended.

Rate Covenant. The City covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

(i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or

(ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for Revenue Bonds for such Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for the Fiscal Year, must request an Airport Consultant to make any recommendations to revise the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements. Copies of the request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under the Ordinances even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the covenant set forth above, so long Debt Service is paid when due.

Sale or Encumbrance of Airport System. Except for the use of the Airport System or services pertaining to the Airport System in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision for payment has been made, and the City shall not dispose of its title to the Airport System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities, except for any pledges of and liens on revenues derived from the operation and use of all or part of the Airport System, or any Special Facilities, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Aviation Director certifies: (i) to be no longer useful in the construction or operation of the Airport System; (ii) to be no longer necessary for the efficient operation of the Airport System; or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Capital Fund - Capital Improvement Account or shall be applied to retire or pay principal of or interest on Revenue Bonds.

Nothing in the Ordinances prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, in whole or in part, if: (i) in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected; and (ii) in the written opinion of nationally recognized bond counsel, the transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code to be includable in gross income of the Owners of the Revenue Bonds for federal income tax purposes. Following the transfer and assumption, all references to the City, City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City shall be deemed references to the transferee entity and comparable officials, actions, powers or characteristics of the entity. In the event of any transfer and assumption, nothing in the Ordinances shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, the retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of the Ordinances and in any Revenue Bond Ordinance.

Insurance. The City covenants and agrees that it will keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that the insurance is available; provided, however, that if any insurance is not commercially available or not available on more favorable economic terms, the City may elect to be self-insured in whole or in part against the risk or loss that would otherwise be covered by insurance, in which case the City will establish reserves for such risk or loss in amounts the City determines to be appropriate. All net proceeds of property or casualty insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Airport System or to redeem Revenue Bonds. Proceeds of business interruption insurance may be credited to the Revenue Fund.

Accounts, Records, and Audits. The City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. After the close of each Fiscal Year, the City shall cause an audit report of the records and accounts described in the preceding sentence to be prepared by an independent certified public accountant or independent firm of certified public accountants, which may be part of an overall audit report of the City and/or other of its enterprise funds. All expenses of obtaining such reports shall constitute Operation and Maintenance Expenses of the Airport System.

Bondholders' Remedies. The Ordinances are a contract between the City and the Owners of the Revenue Bonds and the holders of related Credit Agreement Obligations from time to time outstanding and the Ordinances shall be and remain irrevocable until the Revenue Bonds, the related Credit Agreement Obligations and Administrative Expenses shall be fully paid or discharged or provision for their payment shall have been made as provided in the Ordinances. In the event of a default in the payment of Debt Service on any of the Revenue Bonds or Credit Agreement Obligations or a default in the performance of any duty or covenant provided by law or in the Ordinances, the Owner or Owners of any of the Revenue Bonds, and the holders of any Credit Agreement Obligations and the Persons to whom Administrative Expenses are owed may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Revenue Bonds or holder of Credit Agreement Obligations or Person to whom Administrative Expenses are owed, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds herein provided, and the application of such Gross Revenues in the manner required in the Ordinances.

Notwithstanding the provisions of the foregoing paragraph, acceleration as a remedy is expressly denied.

Legal Holidays. If any date on which a payment of Debt Service is due is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of scheduled payment of Debt Service.

Discharge By Deposit

The City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion by depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or by depositing either with the Paying Agent/Registrar or with any other eligible bank or trust company then authorized by State law, pursuant to an escrow or trust agreement, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, shall no longer be regarded to be Outstanding or unpaid. In case any Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar instructions to give notice of redemption of Bonds to be so redeemed in the manner required in the Ordinances. Any determination not to redeem Bonds that is made in conjunction with the payment arrangements described above shall not be irrevocable, provided that: (1) in the proceedings providing for the payment arrangements, the City expressly reserves the right to call the Bonds for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

Alteration of Rights and Duties. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Amendment of the Ordinances Without Consent. The City may, without the consent of or notice to any of the Owners of the Bonds, amend the Ordinances for any one or more of the following purposes:

- (a) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinances or in the ordinances authorizing the issuance of Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies, to obtain or maintain a rating the Revenue Bonds from any rating agency, or to obtain the approving opinion of the Attorney General of Texas as required by law; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;
- (b) to change the terms or provisions of the Ordinances to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes;
- (c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;
- (d) to add to the covenants and agreements of the City contained in the Ordinances other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in the Ordinances;

- (e) to amend any provisions of the Ordinances relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection therewith, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any major municipal securities evaluation service then rating any series of Revenue Bonds;
- (f) to subject to the lien and pledge of the Ordinances additional Net Revenues which may include revenues, properties or other collateral; and
- (g) to amend the undertaking relating to continuing disclosure of information in Article Twelve of the Ordinances to the extent permitted in Article Twelve.

Amendments of the Ordinances Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinances but, if the amendment is not of the character described above, only with the consent of the Owner or Owners given in accordance with the Ordinances of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in this paragraph shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued hereunder, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to such amendment.

Consent of Owners. Any consent required by the preceding paragraph hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by the Owner or its duly authorized attorney. Proof of the execution of any consent or of the writing appointing any such attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Ordinances, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

- (a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged its execution before him or her, or by affidavit of any witness to the execution.
- (b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that on that date the Revenue Bond was registered in the name of that party in the Register.

In lieu of the foregoing the City may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to the subsection titled "Amendments of the Ordinances Requiring Consent" shall be valid only if given following the giving of notice by or on behalf of the City requesting the consent and setting forth the substance of the amendment of the Ordinances in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be given by certified mail to each Registered Owner of the Revenue Bonds affected at the address shown on the Register.

Copies of all amendments and supplements to the Ordinances or to any Related Document shall be sent to S&P and Moody's at least 10 days before its effective date.

Revocation of Consent. Any consent by any Owner of a Revenue Bond shall be irrevocable for a period of 18 months from the date of mailing of the notice provided for in the Ordinances, and shall be conclusive and binding upon all future Owners of the same Revenue Bond and any Revenue Bond delivered on transfer thereof or in exchange for or replacement of the Revenue Bond during this period. The consent may be revoked at any time after 18 months from the date of the first mailing of the notice by the Owner who gave the consent or by a successor in title, by filing notice with the Paying Agent/Registrar, but the revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding as in the Ordinances defined have, prior to the attempted revocation, consented to and approved the amendment.

Use of Passenger Facility Charges

Consistent with the definitions of Debt Service Requirements and Gross Revenues, the City acknowledges and agrees that debt service with respect to the Revenue Bonds paid or to be paid from passenger facility charges is not included in the calculation of Debt Service Requirements. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) \$4.50 derived from each passenger facility charge ("PFC") so imposed and collected by the City for the payment of PFC-eligible debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the passenger facility charges will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

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APPENDIX D

FORMS OF BOND COUNSEL'S OPINIONS

[Form of Bond Counsel opinion relating to the 2026A Bonds]

[Date of Initial Delivery]

WE HAVE ACTED as bond counsel for the City of Austin, Texas (the "City") in connection with the issuance of the CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2026A (NON-AMT) in the original aggregate principal amount of \$300,085,000 (the "Bonds").

THE BONDS mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set forth in the Bonds, in the Ordinance adopted by the City Council of the City on February 26, 2026 authorizing the issuance of the Bonds (the "Bond Ordinance") and the Pricing Certificate executed by an authorized officer of the City pursuant thereto (the "Pricing Certificate"). The Bond Ordinance and the Pricing Certificate are referred to herein collectively as the "Ordinance." Capitalized terms used herein but not otherwise defined have the meaning assigned to them in the Ordinance.

WE HAVE ACTED as bond counsel 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 excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City, including the Airport System, or the disclosure thereof in connection with the offer and sale of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the offer and sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the notes being refunded with a portion of the proceeds thereof (the "Refunded Notes"), which we have relied on in giving our opinion. The transcript contains certified copies of certain proceedings of the City Council of the City; customary certificates of officials, agents and representatives of the City, the paying agent for the Refunded Notes, and certain other persons; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein.

IN PROVIDING THE OPINIONS set forth herein, we have relied on representations of the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such other parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Bond Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

BASED ON SUCH EXAMINATION, and in reliance on such representations, certificates and assumptions, it is our opinion that:

1. The transcript of certified proceedings referenced above evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State of Texas presently effective and that therefore the Bonds constitute legal, valid and binding special obligations of the City;

2. The Bonds, together with all outstanding Revenue Bonds and any Additional Revenue Bonds hereafter issued, are payable from and equally and ratably secured by a first lien on the Net Revenues of the Airport System. The Bonds are also secured by a lien on the Debt Service Fund and the Debt Service Reserve Fund, as provided in the Ordinance;
3. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); and
4. Interest on the Bonds is not an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax on individuals. We also observe that interest on the Bonds is taken into account in computing the alternative minimum tax on certain corporations.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions, and may be limited by general principles of equity that permit the exercise of judicial discretion. The Bonds are secured solely by a first lien on and pledge of the Net Revenues of the Airport System as described above and certain funds as provided in the Ordinance and do not constitute an indebtedness or general obligation of the City. Owners of the Bonds shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation.

THE CITY HAS RESERVED the right to issue Additional Revenue Bonds and Subordinate Obligations, subject to the restrictions contained in the Ordinance, secured by liens on the Net Revenues of the Airport System that are on a parity with, or junior and subordinate to, respectively, the lien on the Net Revenues of the Airport System securing the Bonds.

WE EXPRESS NO OPINION as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the City or any other parties upon which we have relied are determined to be inaccurate or incomplete, or the City fails to comply with the covenants in the Bond Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

OUR OPINIONS ARE BASED on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

[Form of Bond Counsel opinion relating to the 2026B Bonds]

[Date of Initial Delivery]

WE HAVE ACTED as bond counsel for the City of Austin, Texas (the “City”) in connection with the issuance of the CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2026B (AMT) in the original aggregate principal amount of \$850,130,000 (the “Bonds”).

THE BONDS mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set forth in the Bonds, in the Ordinance adopted by the City Council of the City on February 26, 2026 authorizing the issuance of the Bonds (the “Bond Ordinance”) and the Pricing Certificate executed by an authorized officer of the City pursuant thereto (the “Pricing Certificate”). The Bond Ordinance and the Pricing Certificate are referred to herein collectively as the “Ordinance.” Capitalized terms used herein but not otherwise defined have the meaning assigned to them in the Ordinance.

WE HAVE ACTED as bond counsel 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 excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City, including the Airport System, or the disclosure thereof in connection with the offer and sale of the Bonds. Our role in connection with the City’s Official Statement prepared for use in connection with the offer and sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the notes being refunded with a portion of the proceeds thereof (the “Refunded Notes”), which we have relied on in giving our opinion. The transcript contains certified copies of certain proceedings of the City Council of the City; customary certificates of officials, agents and representatives of the City, the paying agent for the Refunded Notes, and certain other persons; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein.

IN PROVIDING THE OPINIONS set forth herein, we have relied on representations of the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such other parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Bond Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

BASED ON SUCH EXAMINATION, and in reliance on such representations, certificates and assumptions, it is our opinion that:

1. The transcript of certified proceedings referenced above evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State of Texas presently effective and that therefore the Bonds constitute legal, valid and binding special obligations of the City;
2. The Bonds, together with all outstanding Revenue Bonds and any Additional Revenue Bonds hereafter issued, are payable from and equally and ratably secured by a first lien on the Net Revenues of the Airport System. The Bonds are also secured by a lien on the Debt Service Fund and the Debt Service Reserve Fund, as provided in the Ordinance;

3. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except with respect to interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" to such a "substantial user", each within the meaning of section 147(a) of the Code; and
4. Interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax on individuals. We also observe that interest on the Bonds is taken into account in computing the alternative minimum tax on certain corporations.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions, and may be limited by general principles of equity that permit the exercise of judicial discretion. The Bonds are secured solely by a first lien on and pledge of the Net Revenues of the Airport System as described above and certain funds as provided in the Ordinance and do not constitute an indebtedness or general obligation of the City. Owners of the Bonds shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation.

THE CITY HAS RESERVED the right to issue Additional Revenue Bonds and Subordinate Obligations, subject to the restrictions contained in the Ordinance, secured by liens on the Net Revenues of the Airport System that are on a parity with, or junior and subordinate to, respectively, the lien on the Net Revenues of the Airport System securing the Bonds.

WE EXPRESS NO OPINION as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the City or any other parties upon which we have relied are determined to be inaccurate or incomplete, or the City fails to comply with the covenants in the Bond Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

OUR OPINIONS ARE BASED on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

