

a date for 90% installation beyond which authorization for all unissued bonds may be terminated at the option of the City Council. If the City Council elects to so terminate, it must concurrently annex the district. To facilitate this requirement the consent agreement must require that bonds be issued to finance only completed and approved facilities and existing items.

- C. Any water and sewer customer within the boundaries of the City may enforce the special rates required to be included in a contract authorized by this policy.
- D. Prior to annexation, the special rate calculated in Section IV shall be charged in addition to the regular rate which shall not be less than that charged by the City within the City limits for consumers of similar customer classification. The revenue from the special rate shall be deposited in the debt retirement fund of the district.
- V. The revenue and ad valorem taxing authority of the district shall be pledged on all bonds as the City's ad valorem taxing authority shall be after annexation has occurred.

VI. ADDITIONAL REQUIREMENTS AND POLICY STATEMENT.

The City shall require the following of all Water Districts, and these requirements shall be stipulated by the appropriate set of consent resolutions and agreements.

- A. All development activities within the district shall conform to all existing City of Austin ordinance requirements.
- B. Underground utilities may be required by the City Council.
- C. All development construction by the district or the developers must be done in accordance with the City of Austin standards for similar facilities and copies of plans and specifications must be approved by the City before construction begins.
- D. All planning, designs, and construction of drainage facilities and other facilities and/or features pertinent to drainage shall be done in accordance with the "Drainage

Criteria Manual" of the City of Austin. Drainage plans must be approved by the Director of Public Works prior to land development.

- E. The City shall have the right to inspect all facilities of the district at any time during construction, and final approval is required. In addition, the City shall have the right to charge inspection fees for review of facilities the cost of which is not covered by other appropriate charges.
- F. Bonds shall be issued only for those purposes specifically authorized by the consent agreement, and bonds authorized for one purpose shall not be used for another.
- G. Before the Water District issues bid invitations for its bonds, the City Council shall have the right of approval of all bond issues and sales, including bond prices, interest rates, and redemption premiums, and copies of all documents submitted to State agencies shall be concurrently submitted to the City.
- H. All records, files, books, information, etc., of the district shall be a matter of public record, and available for City inspection at all times.
- I. The district shall prepare annual reports for the City on the status of construction and bond sales.
- J. All bonds issued by the district shall have a call provision which allows the option to redeem the bonds at par.
- K. The district shall not furnish water or wastewater service to any tract of land unless the Planning Commission of the City of Austin has approved a subdivision plat covering such tract of land and such plat has been recorded in the deed records. The Planning Commission of the City of Austin will not be required to approve any subdivision within a Water District which does not conform to the provisions of the consent agreement.
- L. The district shall not provide service outside its boundaries unless approval is obtained from the City Council. If such permission is granted, no bond funds shall be expended or indebtedness incurred to provide such service without approval of the City Council.

- M. The City shall review and approve the adequacy, type and construction of all roadways in the Water District.
- N. The City may require the construction of facilities or improvements for the purpose of mitigating the impacts of storm water runoff.
- O. No land within the Water District shall be allowed, at any time in the future, to incorporate; join in an incorporation, or be annexed into any incorporated city other than the City of Austin.
- P. No land may be annexed to a district without the approval of the City Council.
- Q. Right-of-way, public park land, utility and drainage easements and all other appropriate lands and easements shall be properly dedicated to the public, the district and its ultimate successor.
- R. The net effective interest rate will not exceed 2% above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period preceding the date notice of sale is given.
- S. Any wastewater treatment plant constructed in whole or in part with bond proceeds under this policy, shall not discharge over the Edward's Aquifer recharge zone or in the Barton Creek Watershed but must instead irrigate. Any wastewater treatment plant constructed in whole or in part with bond proceeds under this policy must be reviewed and approved by the City Council prior to the issuance of the State permit or any amendment thereto if it is to discharge instead of irrigate.
- T. Water Districts that are not charging a special rate as described in this Ordinance Part I, IV. shall charge a regular rate for service not less than that charged by the City for service to customers outside of the City as shall be established by the City Council from time to time.
- U. Water service in a WCID, FWSD or any other type of Water District with the exception of a Municipal Utility District will only be provided to lots one (1) acre minimum in size to insure the capability to install and operate an on-site wastewater disposal system over the life of the property.

PART 3. That all ordinances, resolutions and orders heretofore passed, adopted and made, or any part of the same, affecting approach mains, which

are in conflict with this Ordinance, shall be and the same are hereby in all things repealed.

PART 4. Whereas, an emergency is apparent for the immediate preservation of order, health, safety and general welfare of the public, which emergency requires the suspension of the rule providing for the reading of an ordinance on three separate days, and requires that this ordinance become effective immediately upon its passage; therefore, the rule requiring the reading on three separate days is hereby suspended and this ordinance shall become effective immediately upon its passage as provided by the Charter of the City of Austin.

PASSED AND APPROVED

August 19, 1981

X
X
X
X
X

Carole Keeton McClellan
Mayor

APPROVED:

Albert De L. Roan
Acting City Attorney

ATTEST:

Grace Monroe
City Clerk

1	2	3	4	5	6	7	8	9	10	11
Growth Manage- ment	Extra- Territorial Jurisdic- tion Area	Internal Water Lines	Internal Wastewater Lines	Storm Sewer Drainage	Regional Drainage	Water Approach Mains	Wastewater Approach Mains	Water Facilities	Wastewater Facilities	Regulation Limit
III	0-2 mi.	100%	100%	75%	100%	100%	100%	100%	100%	100%
III	2-5 mi.	75%	75%	65%	100%	90%	90%	90%	90%	100%
IV	0-2 mi.	40%	40%	0	100%	50%	60%	60%	60%	100%
IV	2-5 mi.	30%	30%	0	100%	40%	40%	40%	40%	100%

EXHIBIT "A"

**AGREEMENTS BETWEEN CITY OF AUSTIN AND WELLS BRANCH MUNICIPAL UTILITY DISTRICT
(ORIGINALLY KNOWN AS NORTH AUSTIN GROWTH CORRIDOR MUNICIPAL UTILITY DISTRICT NO. 1)**

Item No.	Date of Full Execution	Name of Agreement
1.	4/13/1981	Agreement Concerning Creation and Operation of North Austin Growth Corridor Municipal Utility District No. 1
2.	4/13/1981	Utility Construction Contract Between City of Austin, Texas North Austin Growth Corridor Municipal Utility District No. 1
3.	11/25/1981	Agreement Regarding Construction of Little Walnut Creek Wastewater Relief Main
4.	7/14/1982	Agreement Regarding Wastewater Services Commitment
5.	3/27/1984	Petition for Consent to Out-of-District Service by North Austin Growth Corridor Municipal Utility District No. 1
6.	6/5/1986	Resolution
7.	8/17/1988	Amendment to Utility Construction Contract and Creation Agreement Between City of Austin, Texas and by North Austin Growth Corridor Municipal Utility District No. 1
8.	4/10/1990	Water and Wastewater Rate Settlement Agreement
9.	6/9/1991	Wastewater Flow Measurement Agreement
10.	2/10/1992	Interlocal Agreement for Industrial Waste Control Services
11.	3/13/1992	Second Amendment to Agreement Concerning Creation and Operation of Wells Branch Municipal Utility District (Formerly North Austin Growth Corridor Municipal Utility District No. 1)
12.	5/19/1992	Utility Construction Agreement Between Wells Branch Municipal Utility District and Hallmark Residential Development, Inc.
13.	12/1/1993	Interlocal Agreement for Pass Through Wastewater Service in the Howard Lane Area
14.	6/13/1994	Settlement Agreement & Mutual Release
15.	6/13/1994	Third Amendment to the Agreement Concerning Creation and Operation of Wells Branch Municipal Utility District (Formerly North Austin Growth Corridor Municipal Utility District No. 1)
16.	6/27/1994	Agreement and Restrictive Covenant Relating to Pass Through Wastewater Service (Lots 85-88 Turbine West)
17.	7/5/1994	Interlocal Agreement for Temporary Pass Through Wastewater Service (Turbine West Subdivision Lots 85-88)
18.	6/23/1995	Agreement and Restrictive Covenant for Temporary Pass Through Wastewater Service (14741 Merriltown Road)
19.	7/7/1995	Interlocal Agreement for Pass Through Wastewater Service (Santa Fe Group, Inc.)
20.	9/25/1995	Agreement and Restrictive Covenant Relating to Pass-Through Wastewater Service (Lot 105, Turbine West)
21.	9/26/1995	Interlocal Agreement for Temporary Pass Through Wastewater Service (Turbine West Lot 105)
22.	12/4/1995	Agreement Regarding the Construction of Water Improvements to Serve the Three Points Common Development
23.	3/28/1997	Assignment and Assumption

**AGREEMENTS BETWEEN CITY OF AUSTIN AND WELLS BRANCH MUNICIPAL UTILITY DISTRICT
(ORIGINALLY KNOWN AS NORTH AUSTIN GROWTH CORRIDOR MUNICIPAL UTILITY DISTRICT NO. 1)**

Item No.	Date of Full Execution	Name of Agreement
24.	2/25/1997	Agreement and Restrictive Covenant for Temporary Pass Through Wastewater Service (Willow Run 10A and 10 B)
25.	3/28/1997	Interlocal Agreement for Temporary Pass-Through Wastewater Service (Willow Run 10A & 10B)
26.	2/20/1998	Cost Reimbursement Agreement Regarding the Construction of Wastewater Improvements
27.	1/27/2000	First Amendment to Interlocal Agreement for Pass-Through Wastewater Service in the Howard Lane Area
28.	10/16/2001	Interlocal Agreement Regarding Temporary Pass Through Water Service
29.	6/25/2004	Interlocal Agreement Regarding the City's Use of Certain Wells Branch Municipal Utility District Wastewater Lines to Provide Interim Retail Wastewater Utility Service to North I-35 Business Park, L.P.
30.	5/13/2005	Interlocal Agreement Regarding the City's Use of Certain Wells Branch Municipal Utility District Wastewater Lines to Provide Interim Retail Wastewater Utility Service to the Texas Department of Transportation
31.	2/26/2007	Interlocal Agreement Regarding the City's Use of Certain Wells Branch Municipal Utility District Wastewater Lines to Provide Interim Retail Wastewater Utility Service to Dartagnan Partners, L.P.
32.	10/28/2012	First Amendment to Interlocal Agreement Regarding the City's Use of Certain Wells Branch Municipal Utility District Wastewater Lines to Provide Interim Retail Wastewater Utility Service to North I-35 Business Park, L.P.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-2.4 (WW) Wholesale/Sales for Resale - Wastewater

Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No	Wholesale Customer	Historic Test Year 10/2017 - 9/2018		10/2016 - 9/2017		10/2015 - 9/2016	
		Usage	Revenue	Usage	Revenue	Usage	Revenue
1	Wholesale						
2	Manor, City of	86,651,100	\$ 488,836	91,165,200	\$ 514,295	89,492,200	\$ 504,736
3	Mid-Tex Utilities	22,814,400	129,253	18,352,200	106,329	15,438,800	87,384
4	North Austin MUD #1	235,433,600	1,101,065	237,062,600	1,108,678	228,564,100	1,119,888
5	Northtown MUD	246,079,600	1,129,180	245,337,700	1,125,777	240,474,600	1,160,720
6	Rollingwood, City of	43,878,000	248,912	41,501,600	235,438	40,764,451	231,098
7	Sunset Valley, City of	65,835,500	376,910	68,529,100	392,290	65,755,000	375,461
8	Travis Co. WCID #17-Comanche Canyon	8,377,400	33,466	7,953,800	31,779	7,292,000	29,022
9	Travis Co. WCID #17-Steiner Ranch	129,974,000	494,025	116,053,100	441,125	106,970,400	406,488
10	Wells Branch MUD-N.A.G.C	385,427,900	1,763,829	386,901,600	1,770,571	360,772,700	1,750,297
11	Westlake Hills, City of	55,754,950	316,812	56,220,200	319,454	63,974,542	363,382
12	Total Wholesale	1,280,226,450	\$ 6,082,286	1,269,077,100	\$ 6,045,738	1,219,498,793	\$ 6,028,475
13							

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-2.5 (W) Large Users - Water

Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No	Customer	Historic Test Year 10/2017 - 9/2018		10/2016 - 9/2017		10/2015 - 9/2016	
		Usage	Revenue	Usage	Revenue	Usage	Revenue
1	Samsung Austin Semiconductor	2,317,298,200	\$ 13,912,938	2,184,016,300	\$ 14,627,023	1,975,811,300	\$ 12,600,586
2	Travis County WCID #10	839,323,000	2,774,710	822,205,000	2,125,202	774,588,000	2,568,663
3	University of Texas	777,695,800	5,157,991	804,755,600	6,296,136	805,549,400	6,045,959
4	NXP USA INC (Formerly Freescale)	610,488,000	3,770,420	529,505,800	4,163,567	676,043,300	4,235,490
5	Wells Branch MUD	483,763,700	1,520,044	480,114,500	1,231,410	464,228,200	1,452,243
6	North Austin MUD #1	416,336,000	1,346,980	425,839,100	1,170,019	394,365,100	1,306,420
7	Austin Independent School District	343,591,000	2,118,591	340,342,300	2,794,837	318,035,700	2,615,120
8	Cypress Semiconductor (Formerly Spansion)	329,873,000	2,482,869	319,139,000	2,123,039	304,672,100	1,995,779
9	Northtown MUD	296,842,400	916,470	290,888,000	695,214	287,294,000	890,801
10	State TFC	193,193,500	1,343,259	229,062,600	1,694,513	224,909,100	1,642,216
11	Total	6,608,404,600	\$ 35,344,272	6,425,868,200	\$ 36,920,962	6,225,496,200	\$ 35,353,278
12							
13	(1) Totals for University of Texas include all accounts.						
14	(2) Totals for NXP USA, Inc. include their East Austin plant site and their West Austin plant site.						
15	(3) Totals for Austin Independent School District include all campuses and locations.						
16	(4) Total for State TFC include all locations.						

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-G-2.5 (WW) Large Users - Wastewater
Witness: Joseph Gonzales

Line No	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Wholesale Customer	Historic Test Year 10/2017 - 9/2018		10/2016 - 9/2017		10/2015 - 9/2016	
		Usage	Revenue	Usage	Revenue	Usage	Revenue
1	Samsung Austin Semiconductor	1,923,094,300	\$ 15,389,038	1,718,860,100	\$ 14,183,296	1,017,591,500	\$ 8,028,797
2	NXP USA INC (Formerly Freescale)	393,272,800	3,440,305	269,157,100	2,406,007	318,744,100	2,715,700
3	Wells Branch MUD	425,897,830	1,595,672	427,526,268	1,601,773	270,421,678	1,073,575
4	University of Texas	325,993,200	2,997,519	246,154,800	2,324,658	231,978,800	2,128,443
5	Northtown MUD	271,917,958	1,021,230	271,098,159	1,018,151	179,566,257	711,540
6	North Austin MUD #1	260,154,349	995,885	261,954,173	1,002,775	172,700,561	695,646
7	Austin Independent School District	230,504,600	2,123,939	248,607,100	2,351,617	154,805,900	1,433,503
8	Cypress Semiconductor (Formerly Spansion)	222,094,000	1,807,378	199,191,100	1,664,454	130,633,900	1,038,540
9	Travis County WCID #10	138,351,400	527,243	124,006,900	472,658	80,317,700	306,118
10	Mid America Apartments LP	127,796,300	1,172,527	98,343,800	930,256	55,584,200	511,375
11	Total Wholesale	4,319,076,737	\$ 31,070,737	3,864,899,500	\$ 27,955,644	2,612,344,595	\$ 18,643,235
12							
13	(1) Totals for University of Texas include all accounts.						
14	(2) Totals for NXP USA, Inc. include their East Austin plant site and their West Austin plant site.						
15	(3) Totals for Austin Independent School District include all campuses and locations.						

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-2.6 Customer Adjustments

Witness: Joseph Gonzales

Water Customer Adjustments

Other than to correct missed meter reads or meter read errors, AW does not make any customer volume adjustments for water.

Wastewater Inflow and Infiltration Adjustments - Wholesale petitioners in PUC Docket 42857

To comply with the January 2016 PUCT Order and fully recover the revenue requirements established by the Commission-Approved Rates, the City has to increase billed wastewater flows for Inflow & Infiltration (I&I) because the PUC included an incremental 10.5% of I&I flows in the billing basis for the petitioners in Docket 42857. Without the I&I flow adjustment, the Commission approved rates would not fully recover the approved revenue requirement due to lower billed flow amounts. See sample adjustment calculation for North Austin MUD below.

	(a)	(b)	(c)
Line No			
1			North Austin MUD
2	Volumetric Rate (per 1000 gallons)		\$ 4.23
3	Minimum Monthly Charge		\$ 51.00
4			
5			September 2018
6	Wastewater Average Flow		19,975,400
7			
8	I & I Adjustment: 10.5%		2,097,417
9	Adjusted Flow (C6 x C8)		22,072,817
10			
11	Volumetric Revenue (C2 x C9/1000)		\$ 93,368.02
12			
13	Minimum Monthly Charge (C3)		\$ 51.00
14	Total Wastewater Service (C11 + C13)		\$ 93,419.02
15			

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-2.7 Customer Adjustment Data

Witness: Joseph Gonzales

Water Customer Adjustments

Other than to correct missed meter reads or meter read errors, AW does not make any customer volume adjustments for water.

Wastewater Inflow and Infiltration Adjustments - Wholesale petitioners in PUC Docket 42857

To comply with the January 2016 PUC Order and fully recover the revenue requirements established by the Commission-Approved Rates, the City has to increase billed wastewater flows for Inflow & Infiltration (I&I) because the PUC included an incremental 10.5% of I&I flows in the billing basis for the petitioners in Docket 42857. Without the I&I flow adjustment, the Commission approved rates would not fully recover the approved revenue requirement due to lower billed flow amounts. Proposed rates for the 3 wastewater petitioners in PUC docket 42857 exclude I&I as a billing determinant. Consequently, AW does not expect to make I&I flow adjustments when new rates become effective.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-2.8 Test Year Coincident Peak Data

Witness: Joseph Gonzales

Test year coincident peak data is not applicable to this rate filing package. As described in Rick Giardina's testimony, Austin Water utilizes the Non-Coincident peaking factor methodology to equitably allocate each customer class a portion of the system-wide maximum demands. Non-Coincident peaking factor data is provided in tabs 17-24 of the Water COS model.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-3 Revenue Calculation Methodologies

Witness: Joseph Gonzales

For an explanation of revenue calculations methodologies please see the testimony of Joseph Gonzales related to rate design.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-4 Weather Data

Witness: Joseph Gonzales

Austin Water does not adjust revenues for weather normalization. Historic test year data is based on actual usage amounts.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-5 Miscellaneous Fees

Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)
Line No	Revenue Source Code	Description	Reference Schedule	Water	Wastewater
1	4020	Misc Telecom	WP/II-G Miscellaneous Revenue Forecast	\$ 227,112	\$ 60,380
2	4030	Private Fire Hydrant Fee		178,943	0
3	4048	Industrial Waste Permits		0	593,742
4	4049	Manifest Book Sales		0	31,878
5	4050	Backflow Prevention Compliance Fee		961,719	0
6	4070	Water Well Fee		67,946	849
7	4090	OSSF Reviews		0	38,788
8	4126	Reconnection Fee		1,606	0
9	4128	Approach Main Fee (SER)		40,731	30,223
11	4213	Xerox Copies Utility Copies		638,250	295
12	4262	Process Assessment		2,980	2,964
13	4222	Late Payment Penalties		0	1,037,805
15	4231	Building Rental		1,197,939	60,335
16	4234	Damage Charges		60,335	0
17	4241	Parking Revenue		154,939	0
18	4324	Compost/Sludge Sales		1,390	87,654
20	4337	Special Billings		11,731	0
21	4338	Special Billings Orgs 9050 & 9052		16,695	3,698
23	4394	Property Sales-Motorized Vehicles		71,500	0
26	4498	Tap Connections		27,524	413
27	4505	Liquid Wastehauler Fee		1,317,815	637,870
29	4583	Rain Barrel Sales		37,370	0
32	4642	A/R Adj. Leak Adjustment		11,544	(113,239)
33	4643	A/R Adj. Conservation Rebate		277,788	0
34	4646	Lab-Testing Fee		(1,643,912)	4,452
36	4653	Southland Oaks Surcharge		0	68,164

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-G-5 Miscellaneous Fees

Witness: Joseph Gonzales

	(a)	(b)	(c)	(d)	(e)
Line No	Revenue Source Code	Description	Reference Schedule	Water	Wastewater
37	4655	WW Meter Application Fee		60,237	938
38	4660	Wholesale Penalties & Fees		0	24,200
39	4663	NWA MUD 1 Surcharge Credit		3,000	0
41	4771	Special Bill - Wtr Fin Mgt		142,782	56,581
42	4809	A/R Adjustments		0	41
43	4845	Insurance		0	111,851
44	4874	Miscellaneous		118,868	135,015
45	4875	Returned Check Fee		56,705	52,924
46	4877	Junk/Metal Sales		38,396	38,396
47	4879	Cash Over/Short		(2)	0
48	4881	Sales Tax Penalty		0	11
49	4883	New Service Connections		578,112	539,571
50	4999	Recs Recpt		2	0
51	4640	A/R Adj. -UCSO		2,722	0
52	4641	A/R Adj.-AW		(33,405)	(95)
53		Subtotal		\$ 4,629,361.76	\$ 3,505,702.56
54		Additional Non Rate Revenue			
55	Various	Interest		2,677,862	2,488,928
56	Various	Water Reserve Fund		4,850,265	1,229,550
57	4460	Community Benefit Charge		2,601,918	1,943,065
58				\$ 14,759,406	\$ 9,167,246

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-G-6 Tariff
Witness: Joseph Gonzales

NOTICE OF PROPOSED RATE CHANGE - NORTH AUSTIN MUD #1 - WATER

CURRENT RATES: PUC Ordered Rates (Effective February 1, 2016)		PROPOSED RATES (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	\$10.00
1	\$0.00	1	\$12.80
1 1/2	\$0.00	1 1/2	\$14.60
2	\$0.00	2	\$23.70
3	\$0.00	3	\$69.30
4	\$0.00	4	\$115.00
6	\$0.00	6	\$233.70
8	\$0.00	8	\$443.60
10	\$0.00	10	\$699.20
12	\$0.00	12	\$918.30
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$16,652.00	Monthly Charge:	\$11,000
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.75	All Volumes	\$4.62
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05

NOTICE OF PROPOSED RATE CHANGE - NORTH AUSTIN MUD #1 - WASTEWATER

CURRENT RATES: PUC Ordered Rates (Effective February 1, 2016)		PROPOSED RATES (Effective November 1, 2019)	
Customer Charge: including 0 gallons		Customer Charge: including 0 gallons	
Monthly Charge	\$51.00	Monthly Charge	\$10.30
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$4.23	All Volumes	\$5.21

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-G-6 Tariff
Witness: Joseph Gonzales

NOTICE OF PROPOSED RATE CHANGE - NORTHTOWN MUD - WATER

CURRENT RATES: PUC Ordered Rates (Effective February 1, 2016)		PROPOSED RATES (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	\$10.00
1	\$0.00	1	\$12.80
1 1/2	\$0.00	1 1/2	\$14.60
2	\$0.00	2	\$23.70
3	\$0.00	3	\$69.30
4	\$0.00	4	\$115.00
6	\$0.00	6	\$233.70
8	\$0.00	8	\$443.60
10	\$0.00	10	\$699.20
12	\$0.00	12	\$918.30
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$12,304.00	Monthly Charge:	\$8,500
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.59	All Volumes	\$4.22
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05

NOTICE OF PROPOSED RATE CHANGE - NORTHTOWN MUD - WASTEWATER

CURRENT RATES: PUC Ordered Rates (Effective February 1, 2016)		PROPOSED RATES (Effective November 1, 2019)	
Customer Charge: including 0 gallons		Customer Charge: including 0 gallons	
Monthly Charge	\$60.00	Monthly Charge	\$10.30
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$4.15	All Volumes	\$5.21

II-G-6

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-G-6 Tariff
Witness: Joseph Gonzales

NOTICE OF PROPOSED RATE CHANGE - TRAVIS COUNTY WCID #10 - WATER

CURRENT RATES: PUC Ordered Rates (Effective February 1, 2016)		PROPOSED RATES (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	\$10.00
1	\$0.00	1	\$12.80
1 1/2	\$0.00	1 1/2	\$14.60
2	\$0.00	2	\$23.70
3	\$0.00	3	\$69.30
4	\$0.00	4	\$115.00
6	\$0.00	6	\$233.70
8	\$0.00	8	\$443.60
10	\$0.00	10	\$699.20
12	\$0.00	12	\$918.30
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$38,611.00	Monthly Charge:	\$40,000
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.75	All Volumes	\$4.86
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05

NOTICE OF PROPOSED RATE CHANGE - TRAVIS COUNTY WCID #10 - WASTEWATER

Not Applicable.

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-G-6 Tariff
Witness: Joseph Gonzales

NOTICE OF PROPOSED RATE CHANGE - WELLS BRANCH MUD - WATER

CURRENT RATES: PUC Ordered Rates (Effective February 1, 2016)		PROPOSED RATES (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	\$10.00
1	\$0.00	1	\$12.80
1 1/2	\$0.00	1 1/2	\$14.60
2	\$0.00	2	\$23.70
3	\$0.00	3	\$69.30
4	\$0.00	4	\$115.00
6	\$0.00	6	\$233.70
8	\$0.00	8	\$443.60
10	\$0.00	10	\$699.20
12	\$0.00	12	\$918.30
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$21,133.00	Monthly Charge:	\$19,000
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.60	All Volumes	\$4.31
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05

NOTICE OF PROPOSED RATE CHANGE - WELLS BRANCH MUD - WASTEWATER

CURRENT RATES: PUC Ordered Rates (Effective February 1, 2016)		PROPOSED RATES (Effective November 1, 2019)	
Customer Charge: including 0 gallons		Customer Charge: including 0 gallons	
Monthly Charge	\$51.00	Monthly Charge	\$10.30
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$4.14	All Volumes	\$5.21

II-G-6

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule II-G-6 Tariff
Witness: Joseph Gonzales

NOTICE OF PROPOSED RATE CHANGE - MISCELLANEOUS FEES

CURRENT FEES		PROPOSED FEES	
Fee	Charge	Fee	Charge
Tap Fee - Residential	See attached schedule	Tap Fee - Residential	No proposed changes to attached schedule
Tap Fee - Large Meters	See attached schedule	Tap Fee - Large Meters	No proposed changes to attached schedule
Reconnect Fee - Nonpayment	\$25.00	Reconnect Fee - Nonpayment	\$25.00
Reconnect Fee - Customer Request	\$25.50	Reconnect Fee - Customer Request	\$25.50
Transfer Fee	n/a	Transfer Fee	n/a
Late Charge	5% of unpaid water and wastewater charges	Late Charge	5% of unpaid water and wastewater charges
Returned Check Charge	\$30.00	Returned Check Charge	\$30.00
Deposit - Residential	\$200.00	Deposit - Residential	\$200.00
Deposit - Non-Residential	1/6 of the average annual or estimated billing at the same or comparable service address for the previous 12 months	Deposit - Non-Residential	1/6 of the average annual or estimated billing at the same or comparable service address for the previous 12 months
Meter Test Fee	1st request is \$0.00, 2nd request within 36 months is \$324 if meter tests accurate but \$0.00 if inaccurate	Meter Test Fee	1st request is \$0.00, 2nd request within 36 months is \$324 if meter tests accurate but \$0.00 if inaccurate

Austin Water Meter Costs and Impact Fee Schedule – Effective 10/01/2018 through 09/30/2019

Use the tables below to estimate meter costs and impact fees for water and wastewater tap permit applications. This information should be used for estimating invoices only. Actual invoices will be provided by the Austin Water Taps Permitting Office upon processing of the tap permit application.

Meter Costs and Inspection Fees				
Meter Size	Meter Cost	AW Inspection Fee	Drop-in Base Fee	Service Units
5/8"	\$ 52.39	\$ 68.50	\$ 172.00	1
3/4"	\$ 73.47	\$ 68.50	\$ 172.00	1.5
1"	\$ 127.10	\$ 68.50	\$ 172.00	2.5
1 1/2" PD	\$ 309.82	n/a	\$ 172.00	5
1 1/2" T	\$ 674.00	n/a	\$ 172.00	9
2" PD	\$ 433.16	n/a	\$ 172.00	8
2" T	\$ 737.00	n/a	\$ 172.00	16
3 x 5/8" C	\$ 1,328.70	n/a	\$ 548.00	17.5
3" T	\$ 838.16	n/a	\$ 548.00	35
4 x 3/4" C	\$ 1,843.70	n/a	\$ 548.00	30
4" T	\$ 1,207.31	n/a	\$ 548.00	65
6" x 1" C	\$ 2,770.70	n/a	\$ 822.00	67.5
6" T	\$ 2,855.52	n/a	\$ 822.00	140
6 x 2" FD	\$ 6,956.60	n/a	\$ 822.00	
8" T	\$ 3,414.29	n/a	\$ 822.00	240
8 x 2" FD	\$ 9,062.40	n/a	\$ 822.00	
10" T	\$ 5,194.80	n/a	\$ 822.00	350
10 x 2" FD	\$ 16,316.60	n/a	\$ 822.00	
12" T	Special Order	n/a	\$ 822.00	440
3/4" REC	\$ 86.00	\$ 68.50	\$ 172.00	
1" REC	\$ 162.00	\$ 68.50	\$ 172.00	
1 1/2" T REC	\$ 325.00	n/a	\$ 172.00	
2" T REC	\$ 798.00	n/a	\$ 172.00	
3" T REC	\$ 1,043.00	n/a	\$ 548.00	
4" T REC	\$ 1,495.00	n/a	\$ 548.00	
6" T REC	\$ 2,745.00	n/a	\$ 822.00	
8" T REC	\$ 3,648.80	n/a	\$ 822.00	

Impact Fees per Service Unit

Zone	Plat Date Categories			
	Before 1/1/2007	Between 1/1/07 and 12/31/13	Between 1/1/14 and 9/30/18	On or After 10/1/18
Water				
CURE	\$ 500.00	\$ 700.00		
Urban	\$ 600.00	\$ 800.00		
Desired Development (inside city)	\$ 700.00	\$ 1,000.00		
Desired Development (outside city)	\$ 1,300.00	\$ 1,800.00		
Drinking Water Protection (inside city)	\$ 1,500.00	\$ 2,200.00		
Drinking Water Protection (outside city)	\$ 1,700.00	\$ 2,500.00		
All Zones (platted on/after 1/1/2014)			\$ 5,400.00	\$ 4,700.00
Wastewater				
CURE	\$ 300.00	\$ 400.00		
Urban	\$ 400.00	\$ 500.00		
Desired Development (inside city)	\$ 400.00	\$ 600.00		
Desired Development (outside city)	\$ 800.00	\$ 1,000.00		
Drinking Water Protection (inside city)	\$ 1,200.00	\$ 1,200.00		
Drinking Water Protection (outside city)	\$ 1,300.00	\$ 1,400.00		
All Zones (platted on/after 1/1/2014)			\$ 2,200.00	\$ 2,500.00

How to estimate invoices

Sum together Meter Cost, Austin Water Inspection and Drop-in Base Fees, add to the product of Service Units times the Impact Fee for the Plat Date and Zone

Example

How to estimate an invoice for a 3/4" meter for a lot platted between 1/1/14—9/30/18

Water fees

Meter Cost	\$ 52.39
Austin Water Inspection Fee	+ 68.50
Drop-in Base Fee	+ 172.00
Service Units times Impact fee (1.5 x 5,400)	+ 8,100.00
Total water fees:	\$ 8,392.89

Wastewater fees

Service Units times Impact fee (1.5 x 2,200)	+ 3,300.00
--	------------

Total Water and Wastewater permit fees \$11,692.89



Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-H-1 Cost of Service - Water/Wastewater

Witness: Joseph Gonzales

See Testimony by Joseph Gonzales and Cost of Service models for Cost of Service Study information.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule II-H-2 Contracts

Witness: Joseph Gonzales

Austin Water did not have any special rate contracts.

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule III (W) Rate Design - Water
Witness: Joseph Gonzales

See Testimony by Joseph Gonzales and Cost of Service models for additional rate design information.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line No	Description	Revenue Requirement*	Consumption (gallons)	Meter Equivalent Fixed Revenue	Additional Fixed Fee Revenue	Total Annual Fixed Revenue	Percent of Fixed Revenue Requirement	Remaining Revenue Requirement	Volumetric Rate (per 1,000 gallons)	Percent of Volumetric Revenue
1	Wholesale									
2	Creedmore-Maha	\$ 330,995	68,337,400	\$ 162.40	\$ 2,900.00	\$ 36,748.80	11.10%	294,246.47	\$ 4.31	88.9%
3	High Valley	29,825	5,682,200	23.70	250.00	\$ 3,284.40	11.01%	26,540.53	\$ 4.67	89.0%
4	Manor, City of	1,309	3,000	69.30	-	\$ 831.60	63.55%	476.99	\$ 159.00	36.5%
5	Mid Tex Utilities	329,970	52,126,000	443.60	2,595.00	\$ 36,463.20	11.05%	293,506.43	\$ 5.63	88.9%
6	Marsha Water	60,074	13,722,900	23.70	550.00	\$ 6,884.40	11.46%	53,189.93	\$ 3.88	88.5%
7	Morningside	12,767	2,120,500	23.70	95.00	\$ 1,424.40	11.16%	11,343.01	\$ 5.35	88.8%
8	Nighthawk	94,160	14,039,100	69.30	800.00	\$ 10,431.60	11.08%	83,728.48	\$ 5.96	88.9%
9	North Austin MUD	1,692,591	326,506,368	4,428.90	11,000.00	\$ 185,146.80	10.94%	1,507,443.83	\$ 4.62	89.1%
10	Northtown MUD	1,382,989	291,779,192	4,127.60	8,500.00	\$ 151,531.20	10.96%	1,231,457.60	\$ 4.22	89.0%
11	Rivercrest	731,784	136,388,000	1,398.40	5,500.00	\$ 82,780.80	11.31%	649,003.49	\$ 4.76	88.7%
12	Rollingwood	738,158	135,062,800	701.10	6,000.00	\$ 80,413.20	10.89%	657,745.06	\$ 4.87	89.1%
13	Southwest Water	15,265	1,299,000	233.70	-	\$ 2,804.40	18.37%	12,460.94	\$ 9.59	81.6%
14	Sunset Valley, City of	561,399	98,722,000	2,541.15	2,500.00	\$ 60,493.80	10.78%	500,905.57	\$ 5.07	89.2%
15	Village of San Leanna	21,536	4,620,000	69.30	150.00	\$ 2,631.60	12.22%	18,904.63	\$ 4.09	87.8%
16	Water District 10	4,527,698	827,352,816	2,084.90	40,000.00	\$ 505,018.80	11.15%	4,022,679.22	\$ 4.86	88.8%
17	Wells Branch MUD	2,331,182	481,285,700	2,333.90	19,000.00	\$ 256,006.80	10.98%	2,075,174.95	\$ 4.31	89.0%
18										
19	* Does not include the reserve fund surcharge									

Austin Water
Docket No. 49189
Test Year Ending 9/30/2018
Schedule III Rate Design - Wastewater
Witness: Joseph Gonzales

See Testimony by Joseph Gonzales and Cost of Service models for additional rate design information.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line No	Description	Revenue Requirement	Flows (gallons)	Fixed Rate	Total Fixed Revenue	Percent of Fixed Revenue Requirement	Remaining Revenue Requirement	Volumetric Rate (per 1,000 gallons)	Percent of Volumetric Revenue
1	Wholesale								
2	Manor, City of	\$ 451,437	86,651,100	\$ 10.30	\$ 123.60	0.03%	\$ 451,314	\$ 5.21	99.97%
3	Mid-Tex Utilities	118,899	22,814,400	10.30	123.60	0.10%	118,776	5.21	99.90%
4	North Austin MUD #1	1,226,475	235,433,600	10.30	123.60	0.01%	1,226,351	5.21	99.99%
5	Northtown MUD	1,281,932	246,079,600	10.30	123.60	0.01%	1,281,808	5.21	99.99%
6	Rollingwood, City of	228,624	43,878,000	10.30	123.60	0.05%	228,500	5.21	99.95%
7	Sunset Valley, City of	343,005	65,835,500	10.30	123.60	0.04%	342,881	5.21	99.96%
8	Travis Co. WCID #17-Comanche Canyon	33,465	8,377,400	10.30	123.60	0.37%	33,342	3.98	99.63%
9	Travis Co. WCID #17-Steiner Ranch	518,417	129,974,000	10.30	123.60	0.02%	518,293	3.99	99.98%
10	Wells Branch MUD-N.A.G.C	2,007,825	385,427,900	10.30	123.60	0.01%	2,007,701	5.21	99.99%
11	Westlake Hills, City of	290,493	55,754,950	10.30	123.60	0.04%	290,369	5.21	99.96%
12									

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-1 Affiliate and/or Shared Expenses by NARUC Account

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-2 Adjusted Affiliate Expenses

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-3 Organization Chart

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-4 Description of Services

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-4.1 Allocation Manual

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-5 Capital Projects

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-6 Adjustment to Test Year Expenses

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-7 Statutory Requirements

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-8 Services Provided to Affiliates

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-9 Allocation of Affiliate

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-10 Controls

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-11 Affiliate, Regional, Functional or Organizational Splits - Billing Methods

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-12.1 Affiliate

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-12.2 Texas Affiliates and Regions

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-13 Affiliate - Project Codes/Closed in Test Year

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-14 Affiliate Payroll

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule IV-14.1 Affiliate - Contracts

Witness: Joseph Gonzales

Austin Water had no affiliates or shared expenses included in the test year.

Austin Water

Docket No. 49189

Test Year Ending 9/30/2018

Schedule V-1 Audit Reports

Witness: Joseph Gonzales

Deloitte & Touche LLP, the City's independent external auditor, has issued Independent Auditor's Report (Single Audit Report) on the City of Austin's Financial Statements for FY17. Although, the City's Comprehensive Annual Financial Report (CAFR) for FY18 was completed in March 2019, the Independent Auditors Report for FY18 will not be finalized until the completion of the City's annual Single Audit Report. Austin Water has provided a copy of the FY17 Single Audit Report and will provide the FY18 Single Audit Report upon completion of the report.

In addition to the the Independent Auditor's Report, the Office of the City Auditor and the Austin Water Internal Auditor issued various audit reports relating to Austin Water during FY17 and FY18. Austin Water has provided copies of all City Auditor and Internal Auditor reports pertaining to Austin Water. Any exceptions or recommendations for Austin Water will be noted in the attached audit reports.

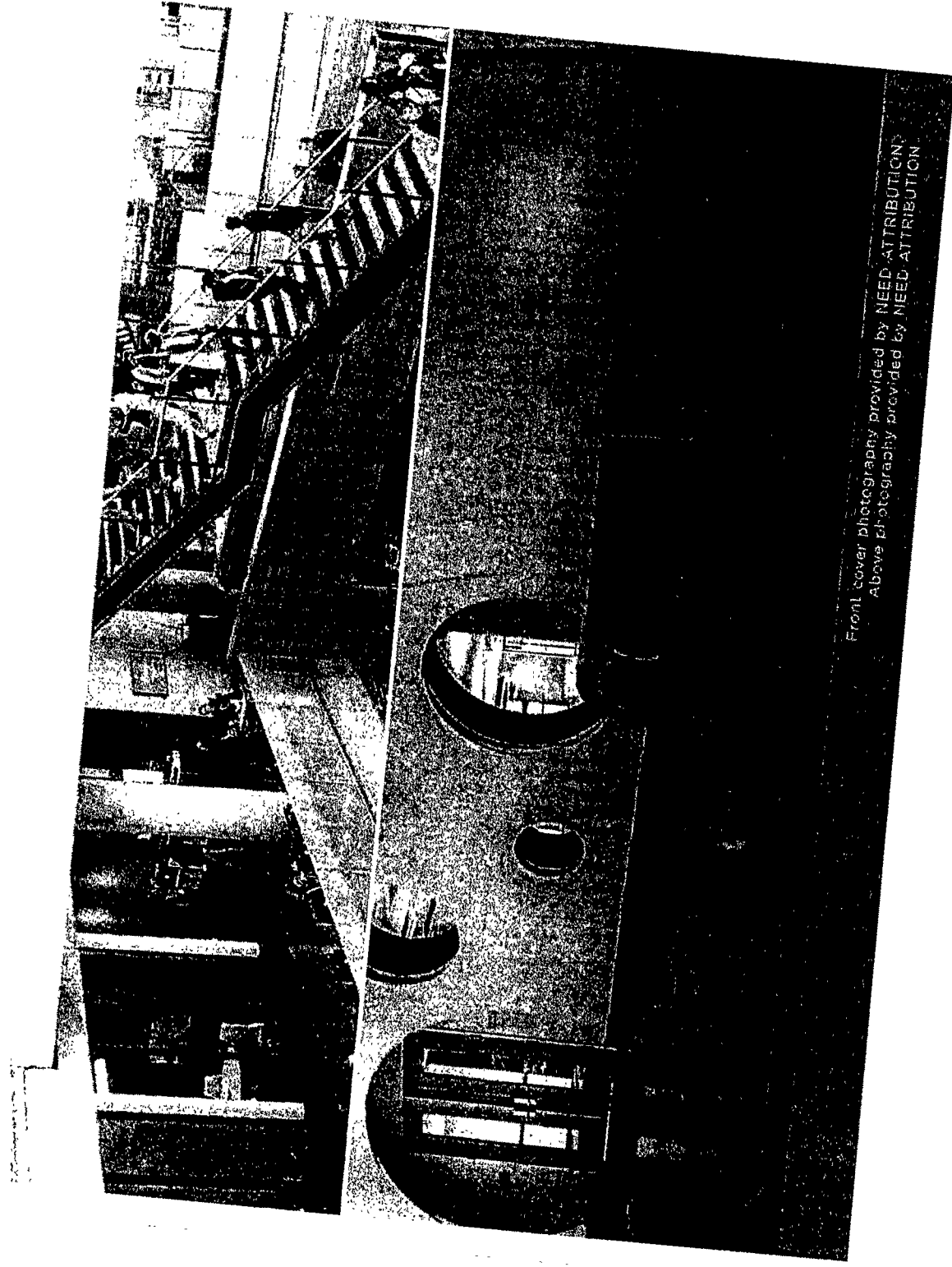
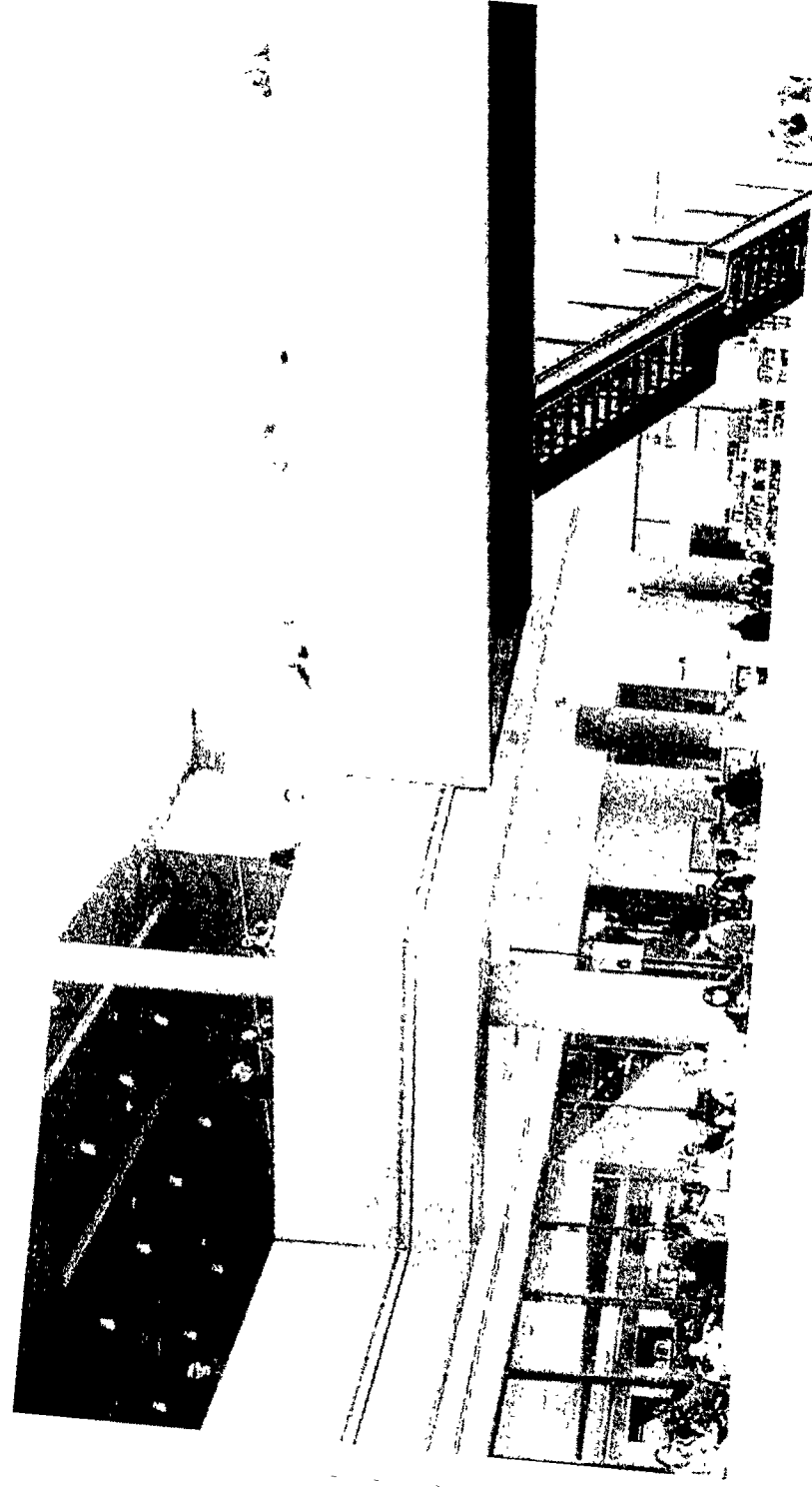
AW has provided the following audit reports:

Report Date	Source	Report Name
February 28, 2019	Deloitte & Touche-External Auditor	City of Austin CAFR 2018
March 1, 2018	Deloitte & Touche-External Auditor	FY17 City of Austin Single Audit Report
March 31, 2018	Office of the City Auditor	Water Meter Reading and Billing Accuracy
March 31, 2017	Office of the City Auditor	City Utility Street Cut Repairs
September 4, 2018	AW Internal Auditor	FY18 Follow-up on Open Audit Recommendations
March 12, 2018	AW Internal Auditor	FY17 Follow-up on Open Audit Recommendations
February 20, 2018	AW Internal Auditor	FY17 Annual Ethics Report
January 12, 2018	AW Internal Auditor	Quality Assurance Review
November 2, 2017	AW Internal Auditor	Allegation of Gift Policy Violation
April 24, 2017	AW Internal Auditor	Variable Production Cost of Water Audit
February 21, 2017	AW Internal Auditor	FY16 Annual Ethics Report
December 7, 2016	AW Internal Auditor	FY15 Annual Ethics Report



COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF AUSTIN, TEXAS

For the Fiscal Year ended September 30, 2018



Front cover photography provided by NEED-ATtribution
 Above photography provided by NEED-ATtribution

Comprehensive Annual Financial Report



*City of Austin,
Texas*

*For the year ended
September 30, 2018*

*Prepared by:
Controller's Office*

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

*Greg Canally
Deputy Chief Financial Officer*

*Diana Thomas, CPA
Controller*

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



City Council

Steve Adler

Mayor

Term expires January 2023

Delia Garza

Mayor Pro Tem (District 2)

Term expires January 2023

Council Members	District	Term expiration
Natasha Harper-Madison	1	January 2023
Sabino "Pio" Renteria	3	January 2023
Gregorio "Greg" Casar	4	January 2021
Ann Kitchen	5	January 2023
Jimmy Flannigan	6	January 2021
Leslie Pool	7	January 2021
Paige Ellis	8	January 2023
Kathie Tovo	9	January 2023
Alison Alter	10	January 2021

Spencer Cronk

City Manager

**CITY OF AUSTIN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2018**

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**CITY OF AUSTIN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2018**

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**CITY OF AUSTIN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2018**

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INTRODUCTION



City of Austin

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

February 28, 2019

Honorable Mayor, Mayor Pro Tem and Councilmembers, and Citizens of Austin
City of Austin, Texas

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Austin, Texas for the fiscal year ended September 30, 2018. The CAFR is provided to give detailed information about the financial position and activities of the City to citizens, City Council, City staff, and other readers.

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

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

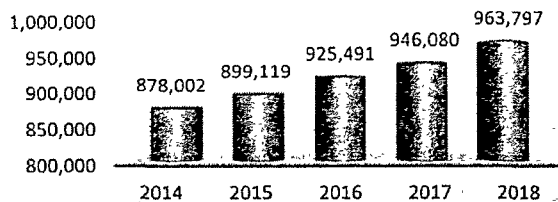
Management's discussion and analysis (MD&A) immediately follows the independent auditors' report. It provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with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

AUSTIN'S GOVERNMENT AND THE REPORTING ENTITY

General Information

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor who is elected at large and ten Councilmembers who are elected by geographic district. The elected officials serve four-year staggered terms subject to a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to the Council for the management of all City employees, except Council appointees, and for the administration of all City affairs.

City of Austin Population
(as of September 30)



Austin, the capital of Texas, is the fourth largest city in the state (behind Houston, San Antonio, and Dallas) and the eleventh largest in the nation with a September 2018 population of 963,797 according to the City's estimates. Over the past ten years, Austin's population increased by approximately 25.1% or 193,501 residents. The City's demographer predicts that Austin will surpass the 1 million mark by 2020. With a population of over two million people, the Austin metro area is the 8th fastest growing metro of its size in the U.S. Geographically, Austin consists of approximately 326 square miles. The current estimated median household income for Austin residents is \$63,191 according to Nielsen Site Reports and Austin's per capita personal income is estimated to be \$57,600.

Austin is nationally recognized as a great place to live due in part to its diverse and eclectic population, as well as an environment that allows a year-round outdoor active lifestyle. Austin's special character in part derives from its position along the Balcones Escarpment, a city wedged between coastal plains and dramatic cliffs, canyons, and live oak-dotted rolling hills; Austin exists as a physical and cultural oasis where talented, entrepreneurial, hard-working people are drawn from all over the world to call this area home. Austin's quality of life has become its biggest economic development engine, and the City's increasingly diverse demographics serves to support and enrich its quality of life.

The City of Austin is also fortunate to offer a host of broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with 49% of adults twenty-five years or older holding a bachelor's or advanced degree, compared to 29% for Texas and 31% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), a world-class center of education and research, is the 7th largest public university in the U.S. in terms of undergraduate enrollment. In the 2018 *U.S. News & World Report* Best Colleges survey, the university tied for 15th among public universities and its business programs were ranked 6th among national universities, both public and private.

Reporting Entity

This CAFR includes all funds of the City, including those organizations required to be included because the City is financially accountable for them. The City provides a full range of services, including general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; urban growth management; electric; water; wastewater; airport; convention; and other enterprise services. In addition, the financial statements include these separate legal entities (and, the fund where reported if different from the entity name): the Austin Housing Finance Corporation (Housing Assistance Fund), the Urban Renewal Agency, the Austin Industrial Development Corporation, the Mueller Local Government Corporation, and the Austin-Bergstrom International Airport (ABIA) Development Corporation. These entities are reported as governmental activities. Additionally, the financial statements include Austin-Bergstrom Landhost Enterprises, Inc., Austin Convention Enterprises, Inc., Waller Creek Local Government Corporation, and the Austin/Travis County Sobriety Center Local Government Corporation. These separate legal entities are reported as discrete component units on the government-wide statements.

THE ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Local Economy

The Austin metropolitan area is consistently recognized among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. The overall economic activity of the Austin MSA continues to grow at a brisk rate, 6.9% in 2018 per the Business Cycle Index by the Federal Reserve Bank of Dallas. Austin was ranked third in the 2018 Top Metro areas for Economic Growth Potential by *Business Facilities* and also placed third in Milken Institute's Best Performing Cities 2018 report. Milken has extolled Austin's cultural scene and sees that "Its strength in a diverse set of industries has helped the region generate growth at different points of the business cycle."

Real gross domestic product (GDP) increased in the Austin–Round Rock metropolitan area by 6.9% compared to the U.S. average of 3.4%, per the latest report by the Bureau of Economic Analysis based on 3rd quarter 2018 data. Growth in the metro area was led by wholesale and retail trade sectors. While the Austin economy has diversified over the last decade, the technology industry continues to play an increasingly large role in the City's economic expansion. Various semiconductor companies and leading chip designers with 10,000 to 15,000 jobs call Austin home along with Apple's 7,000 current employees in the metro area. This number will grow as Apple Inc. announced in December 2018 its plan to expand in north Austin by an estimated \$1 billion. Built out at an eventual 3 million square feet and up to 15,000 new employees, Apple could become the largest private employer in Austin.

In March, Oracle opened their new corporate waterfront campus just southeast of downtown. The five-story 560,000-square foot facility that will initially house 3,000 tech workers. Oracle also purchased a new 295-unit apartment complex adjacent to the corporate campus for use by their employees. Oracle has begun expansion on its recently purchased 6 acres just south of the corporate campus, which will add an additional 420,000 square feet of office space. Meanwhile, Austin's '2nd downtown' at The Domain secured leases for several tech companies,

including 315,000 square feet for HomeAway which will accommodate approximately 2,000 additional employees and 310,000 square feet for Indeed, which is also planning to lease over 300,000 square feet of a new downtown building, both of which are expected to house some 3,000 additional employees through 2021. Most recently, plans for a new high-rise just east of the new Central Library on Shoal Creek have surfaced, with reports that Google Inc. will lease it in its entirety.

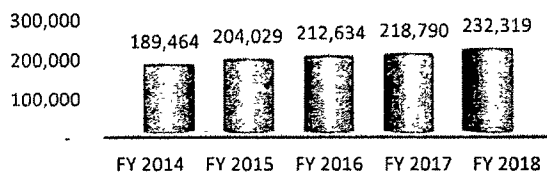
Going forward, Austin economic consulting firm, Texas Perspectives, projects the creation of 28,700 jobs in 2019 with personal income expanding in the 6% range. In the real estate area, according to *Emerging Trends in Real Estate 2019* published by PricewaterhouseCoopers U.S. and the Urban Land Institute, Austin dropped to the 6th spot in the top market to watch for overall real estate prospects in 2019. This report is the compilation of interviews and surveys of over 2,000 real estate professionals across all segments of the industry. Some of Austin's strengths cited in the report include the attractiveness of the market to startups and higher than average labor force participation rates. Nationwide trends identified by the report include a perception that a new era of increased volatility, diversity and technology advancements is creating a transitional pivot point, one that will result in increased opportunities for those who are able to address a multitude of new challenges.

Texas Economy – In 2018 the Texas economy continued to expand despite a drop in oil prices. The manufacturing sector added a record-high 9,100 jobs despite a slowdown in the global economy. This economic expansion helped the statewide unemployment rate fall to a record low of 3.7% in 2018 with total new non-farm jobs reaching 391,800. The state added 18% more jobs in energy and 6.4% more in construction. Although unemployment levels have decreased to an all-time low, employee compensation remained stagnant as private hourly earnings have decreased 0.4% statewide from 2017. Although in Austin, year over year earnings increased by 0.7% in 2018.

With a gross state product of just over \$1.8 trillion, the Texas economy is the second largest in the U.S. The long-term outlook for the State remains positive. According to the Real Estate Center at Texas A&M University, the Dallas Fed's Texas Business-Cycle Index was up 5% for the first time since 2015. Further, the Texas Consumer Confidence Index reached a record high in October reflecting this optimism. Texas also made #1 on Forbes' list for Growth Prospects and #3 for Best States for Business.

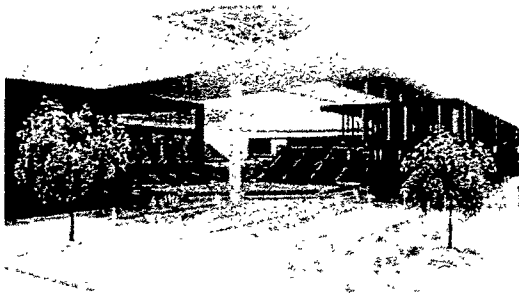
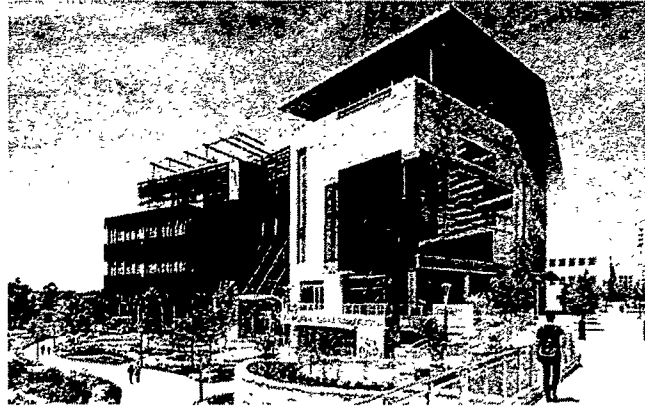
Employment – Austin area employment growth continued to be solid in 2018. In December 2018, Austin's unemployment rate of 2.7% was well below the state and national unemployment rates of 3.7% and 3.9%, respectively. 2018 saw a 3.5% growth in job creation despite a tightening labor market in certain fields. Austin has a high demand for skilled workers as seen in the manufacturing sector where Austin manufacturers continue to move from traditional to advanced manufacturing requiring specific highly technical skills. High tech companies are continuing to expand their presence in Austin, including Apple, Oracle, Google, Facebook, and Indeed. Due to the demand for skilled labor, wages across the metro area increased for a sixth straight year. Job growth in the Austin MSA was ranked fourth along with several other cities when comparing activity in the top 50 metro areas per the U.S. Bureau of Labor statistics and the Texas Workforce Commission. The Austin area added more than 36,800 net new jobs December 2017 through December 2018.

Sales Tax Receipts
(\$ in thousands)



Sales Taxes – Consumer spending growth (as measured by sales tax collections) reflects Austin's population and economic growth. Since 2009, sales tax revenue steadily increased. Fiscal year 2018 experienced a 6.2% increase over fiscal year 2017, which was a 2.9% increase over 2016. As a result of improvements in the national economy, annual sales tax growth was more brisk in 2018 after slowing for the prior two years. Another tax collected by the State and remitted to the City that has increased significantly over 10 years is the mixed drink tax, increasing 124% since 2008, it brought in \$12.7 million in 2018. Per capita personal income in the metro area grew 5.1% in 2018 up from 3.6% in 2017.

Tourism - Austin continues to be a destination for both business and recreational activities. Austin is known around the world as the "Live Music Capital of the World" with over 250 live music venues and multiple large-scale festivals and concerts each year. The Downtown Austin Alliance estimates that Austin has over 27.4 million visitors a year with a \$8 billion annual economic impact from visitor spending. Those numbers are likely to increase since *Time* magazine selected Austin's new Central Library as one of its World's Greatest Places for 2018. Fast becoming a second crown jewel in the capital city, Austin's Central Library has accumulated several awards in its first year of operation including the AIA Library Building Award and a Top Innovators Award from the Urban Libraries Council. With 200,000 square feet of sustainably designed interior space over 6 floors, there is a place for every one of the 100,000 visitors who come monthly to read in the Periodical Room, meet in one of 14 shared learning rooms, or enjoy a cup of coffee at the rooftop garden or one of the other porches overlooking Shoal Creek.

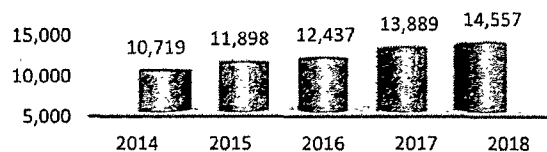


And in what will surely create an additional draw for tourists, Council approved negotiation of a lease for City-owned property in north-central Austin for development of a 20,000-seat professional soccer arena. The stadium, to be financed by Precourt Sports Ventures, would host Austin's first professional sports team and only the 27th major league soccer team in the U.S. The open-air grass stadium is expected to open in time for the 2021 season. In addition, the organization is anticipated to provide opportunities for youth soccer at the facility as well as 130 units of affordable housing on site.

Austin Bergstrom International Airport (ABIA) set new annual passenger traffic records in each of the last nine years. From January-December 2018, passenger traffic reached 15.8 million, a 13.9% increase compared to 2017. With its live music, barbecued brisket, and vibrant art curation, ABIA was ranked sixth Best Domestic Airport in the 2018 *Travel & Leisure* readers' poll.

As a result of increased business and tourism travel, ABIA is seeing tremendous growth in international enplanements. As of the end of 2018, ABIA had ten active non-stop international flights. The facility's 40-year master plan approved by Council this past November calls for 32 additional gates in a new terminal by 2040. When fully expanded, ABIA should be able to handle 31 million passengers annually – approximately double its current capacity.

ABIA Passenger Totals
(in thousands)



Construction has concluded on a nine-gate terminal and apron expansion which opened and saw its first flight depart last week. This expansion will accommodate approximately 4 million additional passengers annually. The administration building is nearing completion and scheduled to open in the spring of 2019. With the increase in passenger traffic, a new baggage handling system is in the planning phase to centralize the baggage system and increase capacity.

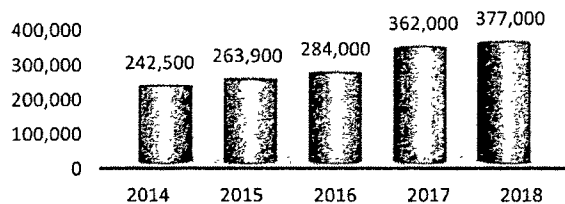
The rate of increase in hotel occupancy tax revenues slowed somewhat from an increase of 4.4% in 2017 to an increase of 2.7% in 2018. Source Strategies, a hotel consulting firm, cites Austin as the "most vibrant lodging market in the state." Austin has the highest revenue-per-available-room and 2nd highest occupancy rates in the state. High occupancy rates have spurred construction of new hotels across the Austin metro area in the last few years. Visit Austin estimates that there are over 11,000 hotel rooms within downtown and 39,700 rooms in the Austin area. With the additional hotel inventory, Austin can accommodate an increase in both number and size of events hosted.

Medical School – The partnership between the University of Texas at Austin, Ascension Seton Healthcare Family, (Seton), and Central Health is progressing as the Dell Medical School has now been in operation since June 2016 when it accepted its first class. The medical school and medical center anchor a new healthcare innovation zone in downtown Austin. Most recently, the school announced the opening of a Biomedical Data Science Hub, which is intended to help clinicians use health data from an array of sources in order to accelerate clinical discoveries.

And under a new agreement with the Department of Veterans Affairs, veterans needing hospitalization can receive covered care at Dell Seton. This will be a significant efficiency for Austin veterans who, up until this point, have had to drive an hour north to Temple or use a local emergency room with no guarantee of having that visit covered. A residency program is also being established through the partnership to bring four new internal medicine residents to the Austin outpatient clinic.

Army Futures Command (AFC)– In July 2018, Austin was selected as the home of the Army Futures Command, edging out 4 other communities vying for the opportunity. The center is based on two floors of the new University of Texas System building downtown and will work closely with start-up companies in Austin and around the country with the purpose of working with cutting edge technology companies to modernize the Army's systems and operations. With a sizeable budget of up to \$100 million per year, the AFC is expected to have a considerable impact on local science and technology sectors. The effects are anticipated by some to be potentially greater than the relocation of Amazon or Apple. The office expects to have 300 staff members by next summer.

Austin-Round Rock MSA Median Single-Family Home Prices



Real Estate - All sectors of the real estate market in Austin and surrounding areas are performing well. The Austin residential market is still strong with an increase in sales of 3.3% in 2018 over 2017. As of December 2018, the median price of an Austin home increased to an all-time high of \$377,000, a 4.2% increase from the previous year of \$362,000. Austin's housing market is experiencing an inventory shortage of homes in the \$200,000 to \$300,000 price range as is the case across the state. Austin homebuilders are adding "value" lines and smaller homes to capture that market share. More than half of new home construction starts during 2018 were priced in the \$200,000-\$300,000 range according to Metrostudy. Homebuilders are starting more homes than they have in the past ten years but are encountering longer

construction timelines with permitting delays and labor shortages.

Housing in Downtown Austin has grown in popularity. There are now approximately 10,000 units for lease or purchase in downtown Austin with more condo and apartment developments in various phases of planning and construction. The Independent condo tower, also known as the "Jenga tower", edged out The Austonian by just 2 feet for distinction of being Austin's tallest residential condo property with 58 stories and 363 units.

The U.S. Housing and Urban Development department reports that fair market rental rates for 1-3 bedroom units are higher in the Austin-Round Rock MSA than any other area in Texas, save Midland. Recent years have seen aggressive construction of new apartment units in the area. Even so, apartment rents increased on average 4.4% in 2018 compared to the national average of 3.1% for the year. This increase in apartment rental rates proves that the construction of new apartments was not able to keep up with job growth in the metro area.

Demand for commercial real estate continues to grow in Austin as indicated by the projected creation of new jobs. The Austin metro area saw a slight increase to the overall commercial vacancy rate in 2018 (9.6%) in comparison to 2017 (8.8%). This has not impacted rental rates or new construction. Class A office space rent averaged \$42.25 per square foot in 2018 up from \$39.09 per square foot in 2017 according to CBRE Research. At the end of 2018, there was about 4.9 million square feet of new office space under construction in the Austin metro area.

The demand for Class A office space in the central business district (CBD) has been particularly high as more companies are expanding their presence in the downtown area. Rents for Class A space in this area averaged close to \$53 per square foot at the end of 2018, down slightly from the same time last year. The largest multi-tenant office buildings in downtown Austin are the Frost Bank Tower, One Eleven Congress Plaza, One American Center, and the 500 West 2nd - all with greater than 500,000 square feet of rentable space. There are plans for several new mixed use high rise buildings in downtown Austin to meet demand. Developers are planning what would be Austin's tallest building at over 60 stories with more than 500,000 square feet of office space and 300 luxury apartments at 600 Guadalupe. At 308 Guadalupe, one of the largest undeveloped lots in the CBD, a 37-story office and retail tower is in the planning phase.

Recognition – Austin continues to be recognized by others for being a leader in numerous areas such as job opportunities, creative economy, and business opportunities:

#1 Best Place in America for Starting a Business <i>Inc</i> December 2018	#8 Most Educated City in America <i>WalletHub</i> July 2018	#1 Best Places to Live 2018 <i>US News & World Report</i> April 2018
#1 Best Places for Veterans to Live <i>WalletHub</i> November 2018	#2 Top Digital Economies of the Future <i>fDi Intelligence</i> August 2018	#8 Best Places to Live and Work as a Moviemaker <i>Moviemaker</i> January 2019
#4 Best Cities for Conferences <i>SmartAsset</i> October 2018	#2 Best City for Jobs <i>New Geography/Forbes</i> May 2018	#1 Best Big City to Live in <i>Money</i> November 2018

Major Initiatives

The City has a long-term vision of Austin being the most livable community in the country. The City has a highly dedicated and exceptional workforce to support City Council's policies and initiatives. City staff is committed to creating a work environment that fosters creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. City employees take enormous pride in their work.

Imagine Austin

Austin residents share a sense of community pride and a determination that the City's vision is not just a slogan, but a reality for everyone who lives here. Imagine Austin, a comprehensive plan for the City's future, sets a context to guide decision-makers for the next 30 years. The plan adheres to 6 core principles established in collaboration with Austin citizens: (1) Grow as a compact, connected city, (2) Integrate nature into the city, (3) Provide paths to prosperity for all, (4) Develop as an affordable and healthy community, (5) Sustainably manage water, energy, and other environmental resources, and (6) Think creatively and work together.

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

Strategic Plan

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

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

The FY2018-2019 budget underwent significant modification to present departmental expenditure plans and measures affecting these 6 outcomes.

Mobility - In November 2016, Austinites approved a \$720 million general obligation bond proposition to fund transportation and mobility improvements. Approximately two-thirds of the funding will be devoted to corridor improvement projects with the remainder earmarked for regional and local improvements including bicycle and pedestrian facilities and safety. The capital spending plan for 2019 includes \$67.7 million for mobility projects including sidewalks, bike lanes, urban trails, and the Corridor Construction Program improvements. Progress continues on several joint interchange projects along Interstate 35 with the Texas Department of Transportation, one of the City's regional partners. An additional \$160 million in bond funding was approved by city-wide election in November 2018 which will fund a number of transportation projects including a replacement for one of the bridges over Lady Bird Lake. In addition to capital projects, the City is undergoing a pilot program for licensing dockless scooters and bicycles to improve mobility in the central city. Over 15,000 scooters have been licensed by 9 companies in Austin's core neighborhoods and downtown.

Economic Opportunity and Affordability - Affordability remains a prime consideration as the City makes decisions that impact the citizens who live here and the businesses that operate here. For 2019 there was no base rate increase for five of the City's six rate assessing enterprise departments. This is significant, as there have been rate increases in at least two of these departments for each of the previous nine budget cycles.

Housing affordability is increasingly an issue in a region where housing costs continue to rise. Since 2007, the median sales price of a home increased almost 60% gradually pricing more and more families out of the home buying market. At a June 2018 Council meeting, action was taken to increase the general homestead exemption from 8% to 10% of eligible property value. In the November 2018 bond election, voters approved \$250 million for planning, constructing and renovating affordable housing facilities for low- and moderate-income residents. Additionally, the current budget fully funds the Housing Trust Fund for the first time, enabling the City to reach income-restricted affordable housing goals adopted in the Austin Strategic Housing Blueprint.

In the arena of economic opportunity, the Small and Minority Business Resources Department will conduct a new disparity study to examine the participation of women and minority-owned businesses in public sector contracting over the past several years. Results of the study will form the basis of the MBE/WBE Procurement Program.

Safety - The 2019 budget includes 6 additional Airport Police officers, 16 sworn fire personnel, funding for 27 additional APD officers, and two new fire stations. Austin's Fire Department responds to approximately 87,000 incidents per year. The department's goal is to reach each emergency location within 8 minutes of call receipt. As the City develops and expands, this goal is an increasing challenge. In response, completion of a new fire station and design work on two others is slated for FY2019. In tandem with the pilot program to license dockless mobility devices previously mentioned, Austin Health is working with the Centers for Disease Control to conduct a safety study, the first of its kind in the nation. Results of the study will be used to make recommendations for safe usage of the new technology.

Health & Environment - Reducing reliance on traditional higher-polluting fuel sources is behind the \$220 million budgeted for Austin Energy to purchase more sustainable fuel sources in fiscal year 2019. Funding was provided

for Austin Resource Recovery toward the purchase of vehicles for existing programs as well as vehicles and containers for expanding the curbside composting program, which is adding approximately 52,000 households in fiscal year 2019. In addition, several departments received recognition for their sustainability efforts:

- ❖ The new Central Library was awarded LEED Platinum status in July 2018. The platinum designation is the highest level of recognition awarded by the U.S. Green Building Council and only six commercial buildings have ever received it.
- ❖ In July 2018, Austin Water received Platinum Certification from The Alliance for Water Efficiency for excellence in water conservation program operation and management.
- ❖ In October 2018, the Airports Council International awarded Austin Bergstrom International Airport a Level 2 Accreditation in its Airport Carbon Accreditation Program, which recognizes the airport's efforts in reducing its overall carbon footprint. In addition to participating in Austin Energy's GreenChoice® program for terminal operations, ABIA has replaced over 30 diesel powered vehicles with electric vehicles.

Cultural and Learning Opportunities - Established in fiscal year 2018, the Historic Preservation Fund was allocated additional funding from the Hotel-Motel Occupancy Tax in order to preserve, restore and rehabilitate historic structures city-wide. Also, the bond elections in November 2018 saw approval for \$128 million for development of community, cultural and creative arts facilities.

Government that Works - The five-year capital improvements spending plan includes \$1.1 billion in support of this priority, of which \$262.7 million is expected to be expended in 2019. The majority of funding supports maintenance of and upgrades to the City's electric and water and wastewater systems to ensure continued incremental improvement to the condition and quality of these crucial components of the City's infrastructure. Funding is also included for technological replacement and enhancement such as a new data center and conversion to a remote water meter reading system which uses cellular or radio transmission.

FINANCIAL INFORMATION

Internal Controls

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

Financial Policies

The City adopted a comprehensive set of Financial Policies to ensure that the City's financial resources are managed in a prudent manner and to provide a foundation for financial sustainability. Compliance with these policies is reviewed annually as part of the budget process. The policies and results of the review are published in the Approved Budget document. An important element of the policies dictates that current revenue will be sufficient to support current expenditures (defined as "structural balance"). Assigned and unassigned fund balances in excess of what is required shall normally be used to fund capital items. The City maintains the goal of a structurally balanced budget to achieve long-term financial stability for the Austin community.

Long-term Financial Planning

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

to maintain services for a rapidly growing community and strategic investments that support community priorities. In support of long-range capital improvement, \$925 million within seven new bond propositions were approved by Austin voters in the November 2018 election.

City departments prepare a number of other long- and mid- range service plans that provide input into decisions made in the planning and budgeting process. These plans range from clean energy and climate protection to strategic mobility planning. A brief summary of these planning documents can be found in the Integrated Planning section of the City's approved budget.

Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. Because of consistent adherence to our financial policies and the area's healthy economy, the City's bond ratings for General Obligation bonds continue to be "AAA" for all three bond rating agencies, Moody's (Aaa), Standard & Poor's and Fitch Ratings, Inc. Through defeasances in 2018, Austin Water was able to extinguish \$68 million of debt which improved debt service coverage and reduced scheduled debt service payments over the next 5 years.

Budgetary Control

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

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the 2018 CAFR, the City continues to meet its responsibility for sound financial management.

Budgetary Information

The 2019 Budget was developed in a manner true to the City's unwavering commitment to openness, transparency, and public engagement. The City's Budget is now organized around strategic outcomes. The budget development process still integrates a collaborative approach to the City's finances with business planning, performance measurement, and resident input, but by organizing around Council identified strategic outcomes, the document is more focused on the bigger picture and less on the minutiae of departmental expenditures. Input was gathered and evaluated to address the many issues, concerns, and priorities identified by Austin's citizens, employees, boards and commissions, and Councilmembers. The result was a budget built around the ideals of livability, affordability, and inclusivity that dictate the operations of Austin's city government.

The structurally balanced fiscal year 2019 Approved Budget totals \$4.1 billion and includes \$1 billion for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services to the citizens of Austin. Austin budgeted revenue comes from utility charges (48%), various taxes (including property) (25%), charges for services and goods (14%), and other revenue such as interest, fees, and transfers (13%). The 2019 budget was approved with a 0.45 cent decrease to the property tax rate, from 44.48 to 44.03 cents per \$100 of taxable value.

The City's largest enterprise department, Austin Energy, is the eighth largest municipal-owned electric utility in the U.S. in terms of customers served. Austin Energy serves more than 480,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. The approved budget for fiscal year 2019 is \$1.4 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources such as solar and wind.

The City's second largest enterprise activity is the Austin Water Utility, which provides water and wastewater services to more than one million retail and wholesale customers spanning more than 540 square miles within Austin and surrounding areas. The fiscal year 2019 budget projects revenues and transfers in of \$613 million. For

the first time in several years, the utility has a slight decrease for water and wastewater rates for 2019. Reduction in projected revenue is the result of the 2018 rate reduction.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report that meets the GFOA program standards. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2017 CAFR. The City has received this award for 11 consecutive years. The certificate is valid for a period of one year only. City management believes that this 2018 CAFR conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for review.

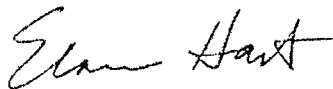
The City also received the GFOA Distinguished Budget Presentation award for the 2018 budget, the 2017 Certificate of Excellence in Performance Measurement from the ICMA, and the Achievement of Excellence in Procurement from the National Procurement Institute in 2018.

ACKNOWLEDGMENTS

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

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

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



Elaine Hart, CPA
Deputy City Manager/Chief Financial Officer

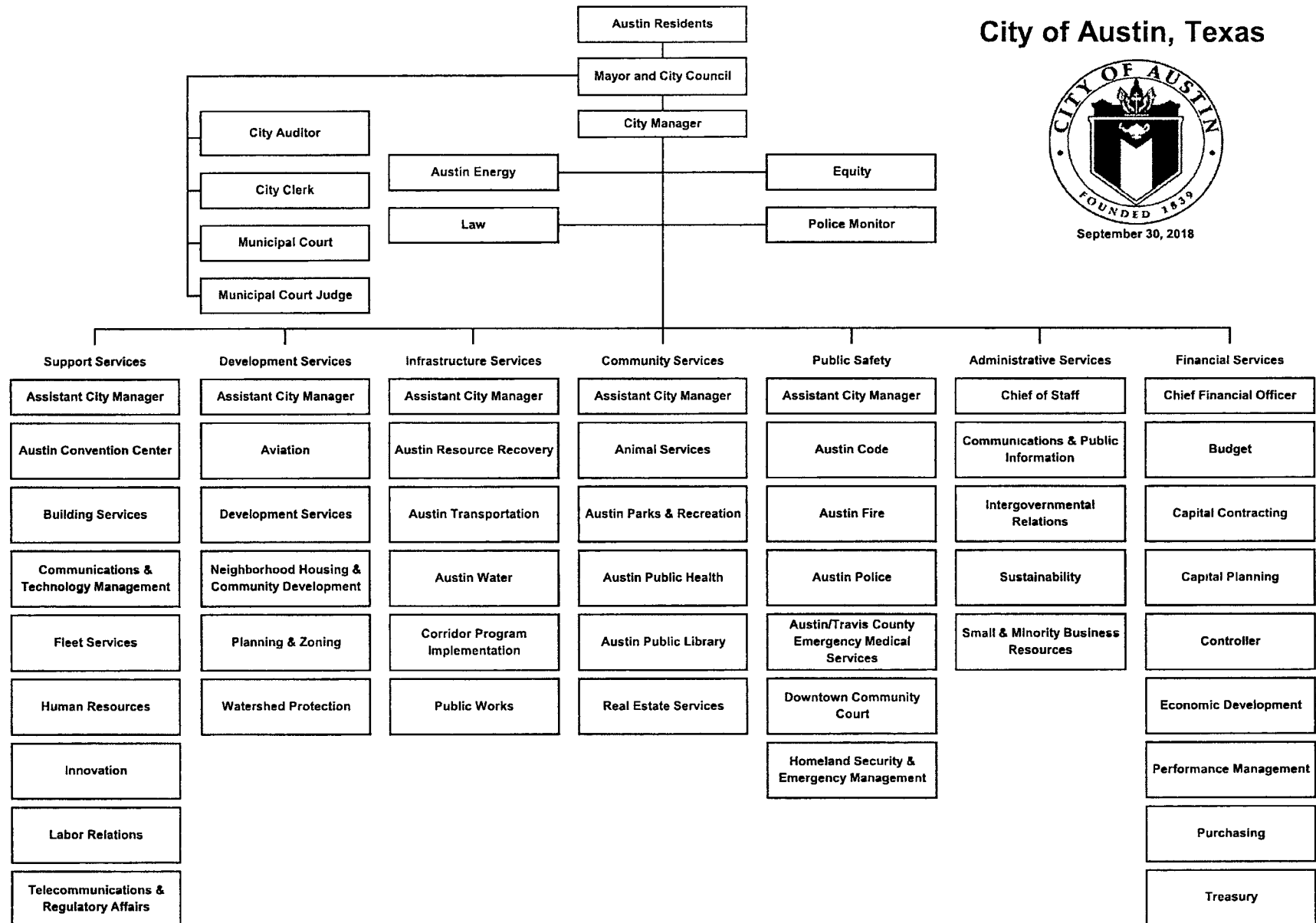


Diana Thomas, CPA
Controller

City of Austin, Texas



September 30, 2018





Government Finance Officers Association

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Austin, Texas for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2017.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. City management believes that this 2018 CAFR conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for their review.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Austin
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of discretely presented component units which represents 99.9% of the assets, 97.8% of the net position, and 98.9% of the revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, the City adjusted its beginning net position as of October 1, 2017, to reflect the impact of the implementation of Governmental Accounting Standards Board Statements No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this change.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Deloitte & Touche LLP

February 28, 2019

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

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. 82, No. 85 through No. 86, and No. 89.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2018, resulting in \$3.7 billion of net position. Net position associated with governmental activities is a deficit of approximately \$253.2 million, while the net position associated with business-type activities is approximately \$4.0 billion, or 106.8% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is \$4.1 billion, or 110.9% of total net position.

The City's unrestricted net position is a deficit of \$1.3 billion. Unrestricted net position for governmental activities is a deficit of \$2.1 billion, while unrestricted net position for business-type activities is approximately \$789.2 million, or 19.9% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of \$1.1 billion and other postemployment benefits payable of \$1.6 billion.

During fiscal year 2018, total net position for the City of Austin increased \$102.5 million or 2.8%. Of this amount, governmental activities decreased \$68.9 million, or 37.4% from the previous year and business-type activities increased \$171.4 million, or 4.5%.

Total revenues for the City increased \$144.2 million; revenues for governmental activities increased \$102.8 million; revenues for business-type activities increased \$41.4 million. Total expenses for the City increased \$162.6 million; expenses for governmental activities increased \$27.1 million; expenses for business-type activities increased \$135.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

a -- Government-wide financial statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

The government-wide financial statements also include four discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), Waller Creek Local Government Corporation (WCLGC) and Austin/Travis County Sobriety Center Local Government Corporation (SCLGC). These entities are legally separate entities that do not meet the GASB reporting requirements for inclusion as part of the City's operations; therefore, data from these units are shown separately from data of the City. More information on these entities can be found in Note 1, including how to get a copy of separately audited financial statements for ACE and ABLE. WCLGC activities are recorded in the City's financial system and City staff prepares the financial reports for this entity. There was no WCLGC activity in fiscal year 2018.

b -- Fund financial statements

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

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

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

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

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

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Austin Energy™, Austin Water Utility, and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.
- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management; Combined Transportation, Emergency and Communications Center (CTECC); Employee Benefits; Fleet Maintenance; Information Systems; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

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

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

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

c -- Notes to the financial statements

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

d -- Other information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net position

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

Condensed Statement of Net Position as of September 30 (In thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 738,058	658,456	1,775,185	1,662,516	2,513,243	2,320,972
Capital assets	3,028,885	2,949,094	8,157,304	7,909,044	11,186,189	10,858,138
Other noncurrent assets	172,731	161,139	2,263,075	2,139,577	2,435,806	2,300,716
Total assets	3,939,674	3,768,689	12,195,564	11,711,137	16,135,238	15,479,826
Deferred outflows of resources	419,521	359,842	361,090	342,671	780,611	702,513
Current liabilities	419,484	361,031	512,245	532,870	931,729	893,901
Noncurrent liabilities	4,106,241	3,945,608	6,737,881	6,517,668	10,844,122	10,463,276
Total liabilities	4,525,725	4,306,639	7,250,126	7,050,538	11,775,851	11,357,177
Deferred inflows of resources	86,679	6,228	1,347,043	1,215,205	1,433,722	1,221,433
Net position:						
Net investment in capital assets	1,735,481	1,709,146	2,375,219	2,358,240	4,110,700	4,067,386
Restricted	146,496	140,299	795,049	702,749	941,545	843,048
Unrestricted (deficit)	(2,135,186)	(2,033,781)	789,217	727,076	(1,345,969)	(1,306,705)
Total net position	\$ (253,209)	(184,336)	3,959,485	3,788,065	3,706,276	3,603,729

In the current fiscal year, total assets increased \$655.4 million and deferred outflows of the City increased by \$78.1 million. Total liabilities increased \$418.7 million and deferred inflows increased by \$212.3 million. Governmental-type total assets increased by \$171.0 million and business-type increased by \$484.4 million, while governmental-type liabilities increased by \$219.1 million and business-type increased by \$199.6 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of \$79.8 million as the City continues to build out projects from the 2012 and 2016 bond programs. Factors in the increase of governmental-type liabilities include increases in bonds payable of \$20.9 million, related primarily to the 2012 and 2016 bond programs along with a decrease in the net pension liability of \$136.0 million and an increase in other postemployment benefits payable of \$278.6 million.

The most significant factor in the increase of business-type total assets is related to growth in capital assets of \$248.3 million or 51.2% of the increase in business-type total assets, of which approximately \$200.0 million is related to the Airport terminal expansion. The primary factor in the increase in business-type total liabilities of \$199.6 million is due to an increase in other postemployment benefits of \$190.6 million.

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.7 billion at the end of the current fiscal year. However, the largest portion of the City's net position is represented in the net investment in capital assets (e.g. land, buildings, and equipment offset by related debt), which is \$4.1 billion, or 110.9% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, \$941.0 million of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance is a deficit of \$1.3 billion of unrestricted net position. Unrestricted net position decreased \$39.3 million in the current fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for business-type activities. However, governmental activities as well as the government as a whole report a deficit of \$2.1 billion and \$1.3 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	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 173,400	176,640	2,543,788	2,500,259	2,717,188	2,676,899
Operating grants and contributions	42,489	45,162	876	861	43,365	46,023
Capital grants and contributions	107,865	90,256	122,396	137,464	230,261	227,720
General revenues:						
Property tax	616,745	554,631	--	--	616,745	554,631
Sales tax	232,319	218,790	--	--	232,319	218,790
Franchise fees and gross receipts tax	159,754	151,670	--	--	159,754	151,670
Interest and other	34,333	26,950	27,730	14,801	62,063	41,751
Total revenues	1,366,905	1,264,099	2,694,790	2,653,385	4,061,695	3,917,484
Program expenses:						
General government	200,125	192,231	--	--	200,125	192,231
Public safety	704,566	719,032	--	--	704,566	719,032
Transportation, planning, and sustainability	72,240	72,517	--	--	72,240	72,517
Public health	117,578	119,278	--	--	117,578	119,278
Public recreation and culture	173,333	161,226	--	--	173,333	161,226
Urban growth management	176,453	156,180	--	--	176,453	156,180
Interest on debt	65,147	61,879	--	--	65,147	61,879
Electric	--	--	1,268,610	1,277,623	1,268,610	1,277,623
Water	--	--	312,276	281,787	312,276	281,787
Wastewater	--	--	286,736	219,609	286,736	219,609
Airport	--	--	184,084	158,863	184,084	158,863
Convention	--	--	80,990	75,377	80,990	75,377
Environmental and health services	--	--	111,184	108,658	111,184	108,658
Public recreation	--	--	9,009	8,736	9,009	8,736
Urban growth management	--	--	196,817	183,532	196,817	183,532
Total expenses	1,509,442	1,482,343	2,449,706	2,314,185	3,959,148	3,796,528
Excess (deficiency) before transfers	(142,537)	(218,244)	245,084	339,200	102,547	120,956
Transfers	73,664	40,693	(73,664)	(40,693)	--	--
Increase (decrease) in net position	(68,873)	(177,551)	171,420	298,507	102,547	120,956
Beginning net position, as previously reported	455,353	632,904	3,976,814	3,678,307	4,432,167	4,311,211
Restatement adjustment	(639,689)	--	(188,749)	--	(828,438)	--
Beginning net position, as restated (see Note 18)	(184,336)	632,904	3,788,065	3,678,307	3,603,729	4,311,211
Ending net position	\$ (253,209)	455,353	3,959,485	3,976,814	3,706,276	4,432,167

Total net position of the City increased by \$102.5 million in the current fiscal year. Governmental net position decreased by \$68.9 million. The decrease is attributable to expenses exceeding revenues by \$142.5 million before transfers from other funds of \$73.7 million. Business-type net position increased by \$171.4 million due to revenues exceeding expenses by \$245.1 million before transfers to other funds of \$73.7 million.

In addition, the City restated beginning net position for governmental and business-type activities as a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". For more information, see Note 18.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

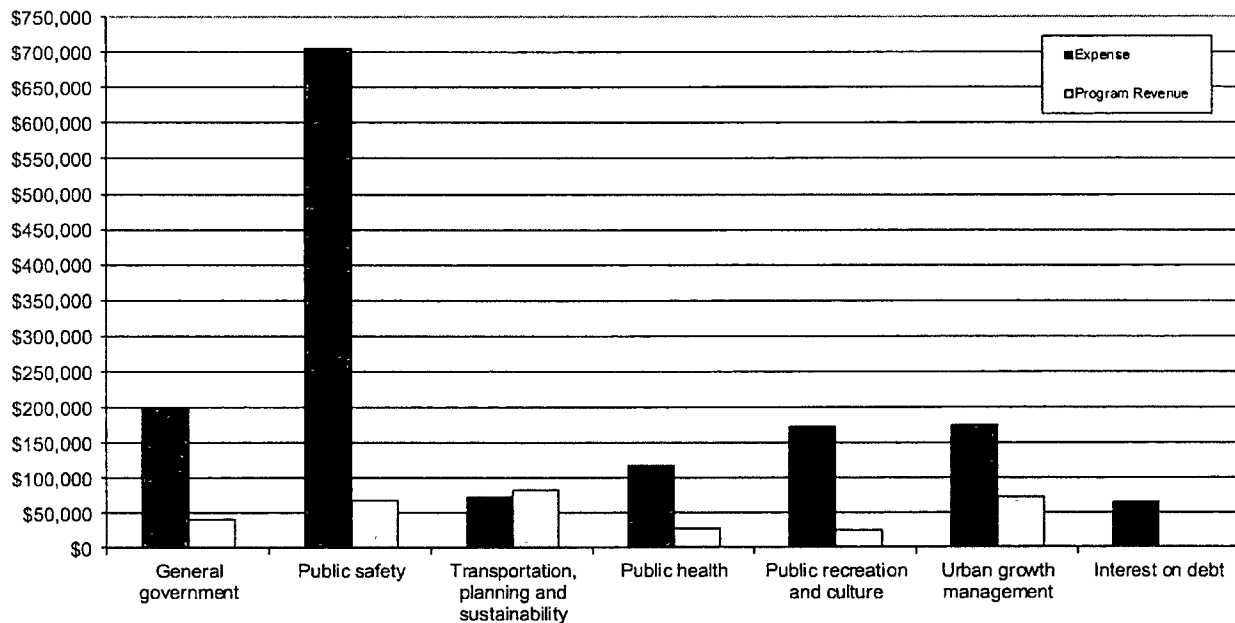
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net position by \$68.9 million in fiscal year 2018, a 37.4% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2017 to 2018 are as follows:

- The City's property tax revenue increased by \$62.1 million from the previous year due to an increase in assessed property values of \$13.0 billion, while the property tax rate per \$100 of valuation increased from 0.4418 to 0.4448.
- Sales tax collections and franchise fees for the year were \$13.5 million and \$8.1 million, respectively, more than the prior year as result of the continued improvement in the Austin economy.
- Public safety expenses decreased by \$12.9 million due to the negotiated labor contract with police not being renewed during the fiscal year. This resulted in a significant number of employee retirements decreasing the compensated absence accrual by \$5.4 million. In addition there was a related decrease in salaries and fringe benefits of \$5.5 million.
- Public recreation and culture of expenses increased \$12.1 million as the result of an increase in salaries and fringe benefits of \$3.7 million, and an increase in overall expenses of \$2.7 million related to the opening of the new library.
- Urban growth management expenses were \$20.3 million greater than the prior year as the result of an increase in Neighborhood Housing & Conservation expenses for the implementation of the new Strategic Housing Blueprint of \$16.8 million along with \$5.0 million decrease in drainage utility reimbursements to development services.

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

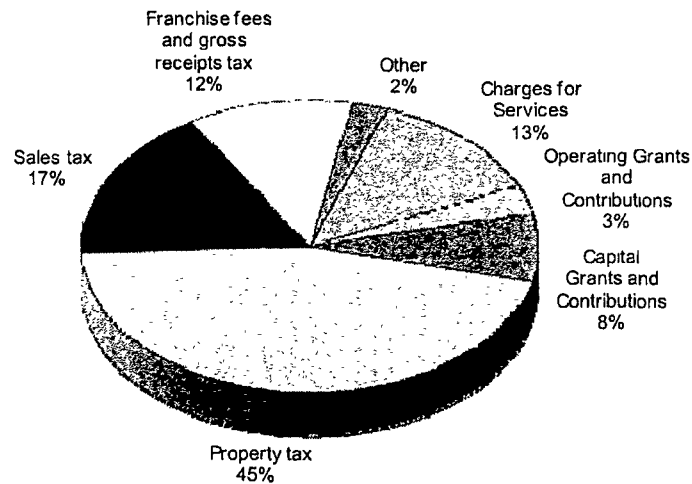
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

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

Government-wide Revenues by Source -- Governmental Activities



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

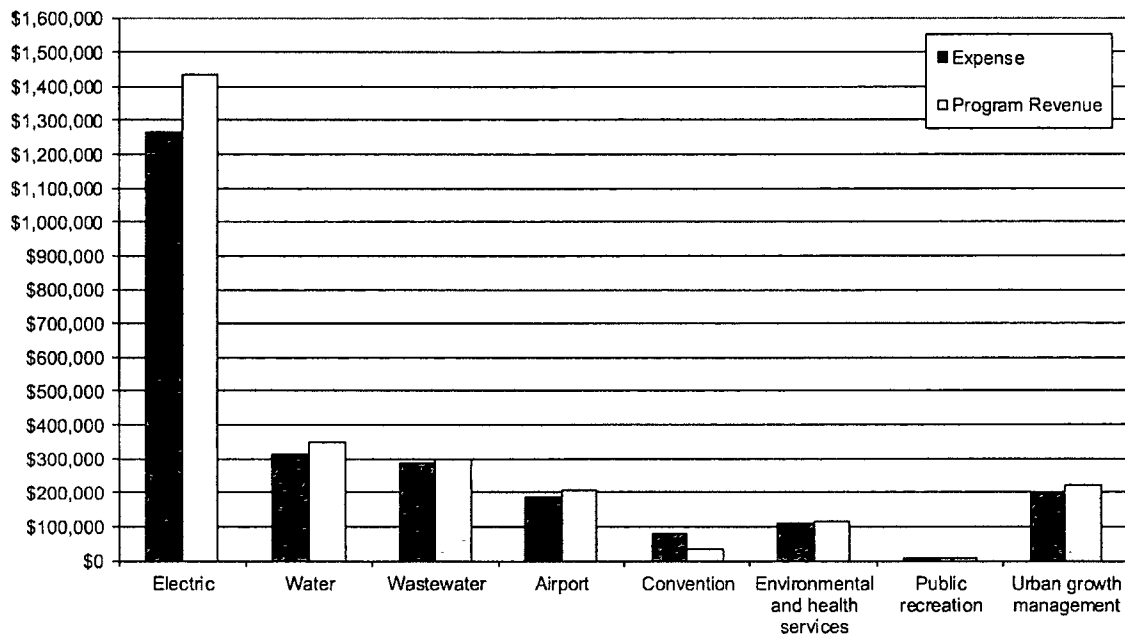
Business-type activities increased the City's net position by approximately \$171.4 million, accounting for a 4.8% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately \$63.2 million. Operating revenues increased primarily due to increased base revenue, which was linked to customer growth. Operating expenses remained relatively stable.
- Austin Water Utility net position increased approximately \$2.9 million. Revenues decreased 3.7% largely due to a mid-year rate reduction for fiscal year 2018. Expenses increased by 19.5% due to an increase in operating and maintenance costs, and an increase in debt defeasance payments.
- Airport net position increased approximately \$28.1 million. Revenues increased 6.1% due to increases in passenger traffic, concessions and parking revenues, and updated Ground Transportation Operator fees and rates. Expenses increased 15.9% due to an increase in operating and maintenance costs and debt service payments.
- Convention Center net position increased approximately \$30.5 million, however, this was an overall incremental decrease of \$10.9 million compared to the 2017 fiscal year increase in net position. Revenues decreased 16.0% due to a decline in food concessions revenue, which was primarily driven by a one-time special event held in the previous year that generated \$4.3 million in revenue. The absence of a similar event in fiscal year 2018 resulted in a 24.0% decrease in food concessions revenue. Expenses increased 7.4% as a result of Council authorizing the Convention Center to pay a portion of the Visit Austin contract to market, sell and service convention activities.
- Environmental and health services activities is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position increased approximately \$4.0 million. Revenues increased by 5.7% due mainly to an increase in the Clean Community Fee and base fee for residential and commercial customer accounts. Expenses increased by 2.3% due mainly to an increase in operations and support services costs.
- Urban growth management activities are comprised of the Drainage and Transportation nonmajor enterprise funds. Net position increased by approximately \$43.3 million. Drainage revenues and transfers decreased 15.6% primarily due to a decrease in transfers in for home buyouts from \$50.0 million in the prior year to \$22.0 million in the current year. Drainage expenses remained relatively flat. Transportation revenues increased approximately 5.4% primarily as a result of increases in right-of-way (ROW) and utility-cut fees collected for downtown construction and new development review fees established to recover departmental costs. Transportation expenses increased 10.7% due to new investments in engineering contracts as well as an increase in staff of 27 new positions.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

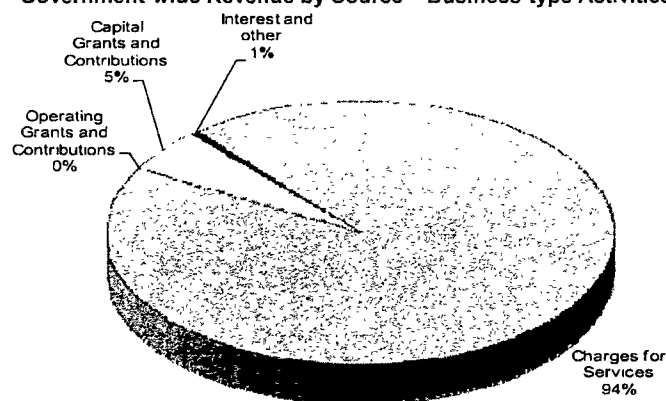
As shown in the following chart, Austin Energy (electric), with expenses of \$1.3 billion is the City's largest business-type activity, followed by water with \$312.3 million, wastewater with \$286.7 million, urban growth management with \$196.8 million, airport with \$184.1 million, environmental and health services with \$111.2 million, convention with \$81.0 million, and public recreation with \$9.0 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention and public recreation.

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



For all business-type activities, charges for services provide the largest percentage of revenues (94.40%), followed by capital grants and contributions (4.54%), interest and other revenues (1.03%), and operating grants and contributions (0.03%).

Government-wide Revenue by Source -- Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

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

a -- Governmental funds

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

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of \$579.5 million, an increase of \$67.0 million from the previous year. Approximately \$3.1 million is nonspendable, \$223.1 million is restricted, \$45.2 million is committed, \$145.9 million is assigned, and \$162.2 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported nonspendable fund balance of \$2.1 million, assigned fund balance of \$37.6 million, and unassigned fund balance of \$173.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.2% of total General Fund expenditures of \$1.0 billion, and total fund balance represents 21.2% 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 \$72.1 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total identified amount, with the other two-thirds identified for budget stabilization in future years.

The fund balance of the General Fund increased \$41.1 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased \$41.2 million due to an increase in assessed property values.
- Sales tax revenues increased by \$13.5 million and interest and other increased by \$5.6 million.

General Fund expenditures increased \$30.7 million, due primarily to increases in the following areas: urban growth management (\$11.8 million), general government (\$8.5 million), public recreation and culture (\$7.4 million), and public health (\$3.9 million). These increases are primarily due to a 2.5% general wage increase for non-sworn employees, the addition of 29 FTE's, and increases in contractual expenditures.

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by \$155.6 million before consolidation of the internal service funds activities.

Factors that contributed to the decrease 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 2018 an amendment to the General Fund Interest and other revenue budget increased it by \$868,240 to reflect proceeds related to the Aspen Heights Density Bonus Program. This was the sole revenue budget amendment. The budget for Transfers in was increased by \$150,000 related to a settlement with an apartment complex. Budgeted expenditures in Other urban growth management were increased by \$868,240 to provide housing subsidies to the homeless and by \$150,000 to fund relocation costs related to the apartment settlement. The expenditure budget related to Parks and Recreation was decreased by \$280,630 and the budget for Transfers out was increased by the same amount. Upgrades to the Millennium Youth Entertainment Complex that were originally budgeted to be spent in 2018 were delayed resulting in this amendment which moved the funds from the operating to the capital budget.

OTHER INFORMATION, continued

During the year, actual budget basis revenues were \$2.3 million more than budgeted. Property taxes were \$4.9 million more than budgeted due to added properties and an increase in overall property values. Sales taxes were also \$6.2 million more than budgeted due to continued improvement in the economy. These were offset partly by \$6.4 million in lower than expected development permit revenue and \$2.3 million in lower than expected traffic fines.

Actual budget-basis expenditures were \$34.0 million less than budgeted. Two departments were over budget, Municipal Court by \$169 thousand and Social Services by \$74 thousand. All other departments were under budget. Police was under budget by \$14.9 million due primarily to the negotiated labor contract not being approved by Council during the fiscal year as was originally anticipated. EMS was under budget by \$3.4 million due primarily to salary savings from regular position vacancies. Fire was under budget by \$3.0 million largely due to higher than expected expense reimbursements from natural disasters and overtime from inspections and permitting done outside of normal business hours. Development Services was \$5.9 million under budget due primarily to salary savings from vacancies and lower contractual expenses as a result of the cancellation of CodeNEXT, the City's land development code rewrite project. The total budget-basis fund balance at year-end was \$206.2 million.

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2018, total \$11.2 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was \$328 million, with an increase of 2.7% for governmental activities and an increase of 3.1% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation and Amortization (in millions)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Building and improvements	\$ 657	651	1,978	1,916	2,635	2,567
Plant and equipment	75	65	2,377	2,348	2,452	2,413
Vehicles	54	52	74	76	128	128
Electric plant	--	--	2,124	2,198	2,124	2,198
Non-electric plant	--	--	147	141	147	141
Nuclear fuel	--	--	48	43	48	43
Water rights	--	--	81	82	81	82
Infrastructure	1,739	1,658	--	--	1,739	1,658
Land and improvements	383	379	694	676	1,077	1,055
Construction in progress	92	116	607	402	699	518
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	29	28	4	4	33	32
Total net capital assets	<u>\$ 3,029</u>	<u>2,949</u>	<u>8,157</u>	<u>7,909</u>	<u>11,186</u>	<u>10,858</u>

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

- Governmental capital assets increased \$79.8 million primarily due to additions of new facilities and improvements to existing facilities. Significant additions and improvements were also made including acquisitions of parkland, upgrades to information technology equipment, pedestrian facility improvements, and street reconstructions across the City. The construction of the Waller Creek Tunnel Inlet Facility was completed during the fiscal year.
- Business-type activities purchased, constructed or received capital asset contributions of \$248.3 million. Asset additions included continued work on the airport terminal and apron expansion projects. Additionally, the Drainage fund continued to acquire properties at risk of flooding along Onion Creek.

OTHER INFORMATION, continued

c -- Debt administration

At the end of the current fiscal year, the City reported \$6.5 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

	Outstanding Debt General Obligation and Revenue Debt (in millions)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds and other tax supported debt, net	\$ 1,457	1,436	102	116	1,559	1,552
Commercial paper notes, net	--	--	254	146	254	146
Revenue bonds, net	--	--	4,702	4,881	4,702	4,881
Capital lease obligations	10	--	1	1	11	1
Total	<u>\$ 1,467</u>	<u>1,436</u>	<u>5,059</u>	<u>5,144</u>	<u>6,526</u>	<u>6,580</u>

During fiscal year 2018, the City's total outstanding debt decreased by \$53.6 million. The City issued new debt, used cash to defease debt, and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased by \$20.9 million. The resulting net increase is a combination of the issuance of \$123.3 million in new debt to be used primarily for facility improvements, streets and mobility, watershed home buyouts, central library, parks and recreation, capital equipment, and affordable housing, offset by debt payments during the year.
- Outstanding debt for business-type functions decreased by \$84.4 million. The City issued \$45.2 million in Water and Wastewater System revenue bonds, which was offset by debt payments during the year and the cash defeasance of \$61.2 million in Water and Wastewater separate lien revenue bonds.

OTHER INFORMATION, continued

During the year, the City's commercial paper notes, tax exempt and taxable, received favorable rating upgrades from Standard & Poor's and Fitch Ratings, Inc. from A-1 to A-1+ and F1 to F1+, respectively. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2018 and 2017 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch Ratings, Inc.	
	2018	2017	2018	2017	2018	2017
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	P-1	P-1	A-1+	A-1	F1+	F1
Commercial paper notes - taxable	P-1	P-1	A-1+	A-1	F1+	F1
Utility revenue bonds - prior lien	Aa1	Aa1	AA+	AA+	AA	AA
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	Aa3	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)
Convention Center revenue bonds - subordinate	A1	A1	A+	A+	NUR (1)	NUR (1)

(1) No underlying rating

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

Austin's diverse economic base and national reputation as a great place to work and live continues to attract new employers and talented individuals to the area. The Austin metro area is the 8th fastest growing metro in the US for its size. Over the past 10 years, Austin's population has increased by approximately 25.1% or nearly 200,000 residents, with projections of the City surpassing the 1 million mark by the year 2020. Both the Austin and the Texas economies continue to expand at rates above the national economy. Job growth in the Austin MSA was ranked fourth along with several other cities when comparing activity in the top 50 metro areas per the US Bureau of Labor statistics. Austin added more than 36,800 net new jobs in 2018. The unemployment rate for the Austin-Round Rock MSA maintained a low of 2.7%, while the state unemployment rate fell to 3.7% in 2018; the national unemployment rate was 3.9%.

The City's primary economic drivers which in the past have included the technology industry, business startups and growth of entrepreneurial business, and tourism, continue to diversify with the opening of the Army Futures Command (AFC) in downtown. This reorganization of the Army, the biggest since 1973, and the first not located on a military base, is anticipated to innovate the service and make it more nimble and efficient, bringing along with it a sizeable annual budget and desire to engage with the growing local tech sector. All of these factors are expected to continue to generate job growth. All sectors of the real estate market continue to perform well. The Austin residential market experienced an increase in sales of 3.3% in 2018 over 2017, with housing in the downtown area growing in popularity. In 2018, sales tax revenue increased 6.2% over the previous year, compared to a 2.9% increase in 2017 and a 4.2% increase in 2016, an indicator that the local economy continues to exhibit steady growth. In 2019, the rate of growth in sales tax collections is expected to be 3.5%. Overall, the Austin economy is expected to continue to grow at a steady pace barring any events at the national or international level that would have an adverse impact.

OTHER INFORMATION, continued

The City's fiscal year 2019 budget was developed in a manner true to City Management's unwavering commitment to openness, transparency, and public engagement; a process that has been refined over time and centered this year on heightened levels of collaboration between the community, city staff, management, and the City Council. The overriding goal of the 2019 budget process was to align department budgets to Council's priorities with particular focus on the Council's six strategic outcomes for the City: Mobility, Economic Opportunity and Affordability, Safety, Health, Cultural and Learning Opportunities, and Government that Works. Each year during the budget process, the Austin City Council adopts a comprehensive set of financial policies that provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the Council's underlying goals of budget stability, maintaining affordability, investing in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings; the City had a ratings upgrade for commercial paper instruments in 2018. City management continues to monitor the economy and take corrective actions when necessary to help mitigate any unfavorable economic events.

The taxable property values within the City increased by 9.7% in 2018 for fiscal year 2019. The property tax rate for fiscal year 2019 is 44.03 cents per \$100 valuation, down from 44.48 cents per \$100 valuation in 2018. The tax rate consists of 33.08 cents for the General Fund and 10.95 cents for debt service. Each 1 cent of the 2018 (fiscal year 2019) property tax rate is equivalent to \$15,177,490 of tax levy, as compared to \$13,841,865 in the previous year. Austin Energy's 2018 base rates remain unchanged from the prior fiscal year. For the past several years, Austin Water Utility has been working to strengthen its financial position and reduce the need for annual rate increases; consequently, the utility submitted its fiscal year 2019 budget with a slight rate decrease.

e -- Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Controller's Office of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at: <https://www.austintexas.gov>.



BASIC FINANCIAL STATEMENTS

Statement of Net Position
September 30, 2018
(In thousands)

City of Austin, Texas
Exhibit A-1

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	61	63	124	5,955
Pooled investments and cash	582,458	1,072,584	1,655,042	--
Pooled investments and cash - restricted	--	123,333	123,333	--
Total pooled investments and cash	582,458	1,195,917	1,778,375	--
Investments - restricted	28,533	136,317	164,850	--
Cash held by trustee	--	1,601	1,601	--
Cash held by trustee - restricted	9,152	1,144	10,296	--
Working capital advances	--	2,225	2,225	--
Property taxes receivable, net of allowance \$5,711	12,017	--	12,017	--
Accounts receivable, net of allowance \$328,639	107,502	224,532	332,034	3,392
Receivables from other governments	17,409	91	17,500	--
Receivables from other governments - restricted	--	8,421	8,421	--
Notes receivable, net of allowance of \$17,669	26,666	--	26,666	--
Internal balances	(62,654)	62,654	--	--
Inventories, at cost	2,998	74,152	77,150	196
Real property held for resale	5,836	--	5,836	--
Regulatory assets, net of accumulated amortization	--	29,552	29,552	--
Prepaid expenses	4,213	24,004	28,217	860
Other receivables - restricted	--	4,370	4,370	--
Other assets	3,867	10,142	14,009	--
Total current assets	738,058	1,775,185	2,513,243	10,403
Noncurrent assets:				
Cash - restricted	--	4,920	4,920	2,090
Pooled investments and cash - restricted	167,701	638,690	806,391	--
Investments - restricted	--	341,645	341,645	56,298
Investments held by trustee - restricted	1,868	228,367	230,235	20,788
Cash held by trustee - restricted	1,853	--	1,853	--
Interest receivable - restricted	--	410	410	--
Depreciable capital assets, net	2,524,708	6,829,037	9,353,745	183,421
Nondepreciable capital assets	504,177	1,328,267	1,832,444	13,508
Derivative instruments - energy risk management	--	50	50	--
Regulatory assets, net of accumulated amortization	--	1,020,958	1,020,958	--
Other receivables - restricted	--	7,696	7,696	--
Other long-term assets	1,309	20,339	21,648	--
Total noncurrent assets	3,201,616	10,420,379	13,621,995	276,105
Total assets	3,939,674	12,195,564	16,135,238	286,508
DEFERRED OUTFLOWS OF RESOURCES				
	419,521	361,090	780,611	15,605

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

(Continued)

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

Statement of Net Position
September 30, 2018
(In thousands)

City of Austin, Texas
Exhibit A-1
(Continued)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	44,343	95,774	140,117	5,525
Accounts and retainage payable from restricted assets	22,878	65,452	88,330	--
Accrued payroll	33,603	19,535	53,138	317
Accrued compensated absences	65,263	26,939	92,202	--
Claims payable	23,655	205	23,860	--
Due to other governments	13	3,469	3,482	--
Accrued interest payable from restricted assets	8	95,651	95,659	5,246
Interest payable on other debt	8,693	1,153	9,846	--
Bonds payable	61,130	13,733	74,863	3,450
Bonds payable from restricted assets	28,725	110,970	139,695	--
Other postemployment benefits liability	33,071	20,005	53,076	--
Capital lease obligations payable	2,115	56	2,171	--
Customer and escrow deposits payable from restricted assets	76,584	47,154	123,738	--
Accrued landfill closure and postclosure costs	--	2,591	2,591	--
Decommissioning liability payable from restricted assets	--	3,753	3,753	--
Other liabilities	19,403	4,900	24,303	5,847
Other liabilities payable from restricted assets	--	905	905	--
Total current liabilities	419,484	512,245	931,729	20,385
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	82,074	714	82,788	--
Claims payable	24,319	217	24,536	--
Capital appreciation bond interest payable	--	2,722	2,722	--
Commercial paper notes payable, net of discount	--	254,767	254,767	--
Bonds payable, net of discount and inclusive of premium	1,367,110	4,679,015	6,046,125	267,119
Net pension liability	1,067,452	585,052	1,652,504	--
Other postemployment benefits liability	1,540,192	931,629	2,471,821	--
Capital lease obligations payable	7,765	878	8,643	--
Accrued landfill closure and postclosure costs	--	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	201,617	201,617	--
Derivative instruments - energy risk management	--	7,796	7,796	--
Derivative instruments - interest rate swaps	--	27,723	27,723	--
Other liabilities	17,329	33,041	50,370	--
Other liabilities payable from restricted assets	--	2,811	2,811	--
Total noncurrent liabilities	4,106,241	6,737,881	10,844,122	267,119
Total liabilities	4,525,725	7,250,126	11,775,851	287,504
DEFERRED INFLOWS OF RESOURCES				
	86,679	1,347,043	1,433,722	1,120
NET POSITION				
Net investment in capital assets	1,735,481	2,375,219	4,110,700	(11,273)
Restricted for:				
Bond reserve	--	39,469	39,469	--
Capital projects	40,454	275,910	316,364	741
Debt service	20,033	57,507	77,540	26,598
Housing activities	29,436	--	29,436	--
Operating reserve	--	66,020	66,020	--
Passenger facility charges	--	110,452	110,452	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,070	--	1,070	--
Renewal and replacement	--	53,339	53,339	--
Strategic reserve	--	192,352	192,352	--
Tourism	22,649	--	22,649	--
Other purposes	32,853	--	32,853	--
Unrestricted (deficit)	(2,135,186)	789,217	(1,345,969)	(2,577)
Total net position	(253,209)	3,959,485	3,706,276	13,489

(†) 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, 2018
(In thousands)

City of Austin, Texas
Exhibit A-2

		Program Revenues				Net (Expense) Revenue and Changes in Net Position			
				Operating	Capital	Primary Government			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Governmental activities									
General government	\$ 200,125	27,276	1,595	15,655	(155,599)	--	(155,599)	--	
Public safety	704,566	57,950	9,364	--	(637,252)	--	(637,252)	--	
Transportation, planning, and sustainability	72,240	1,503	70	81,495	10,828	--	10,828	--	
Public health	117,578	8,109	21,553	80	(87,836)	--	(87,836)	--	
Public recreation and culture	173,333	12,401	1,804	10,635	(148,493)	--	(148,493)	--	
Urban growth management	176,453	66,161	8,103	--	(102,189)	--	(102,189)	--	
Interest on debt	65,147	--	--	--	(65,147)	--	(65,147)	--	
Total governmental activities	1,509,442	173,400	42,489	107,865	(1,185,688)	--	(1,185,688)	--	
Business-type activities									
Electric	1,268,610	1,400,523	104	34,986	--	167,003	167,003	--	
Water	312,276	304,182	--	46,907	--	38,813	38,813	--	
Wastewater	286,736	270,884	--	26,985	--	11,133	11,133	--	
Airport	184,084	197,426	616	7,593	--	21,551	21,551	--	
Convention	80,990	33,752	--	--	--	(47,238)	(47,238)	--	
Environmental and health services	111,184	115,499	92	177	--	4,584	4,584	--	
Public recreation	9,009	7,278	--	230	--	(1,501)	(1,501)	--	
Urban growth management	196,817	214,244	64	5,518	--	23,009	23,009	--	
Total business-type activities	2,449,706	2,543,788	876	122,396	--	217,354	217,354	--	
Total primary government	\$ 3,959,148	2,717,188	43,365	230,261	(1,185,688)	217,354	(968,334)	--	
Component Units	92,066	97,298	--	1,124	--	--	--	6,356	
General revenues:									
Property tax					616,745	--	616,745	--	
Sales tax					232,319	--	232,319	--	
Franchise fees and gross receipts tax					159,754	--	159,754	--	
Interest and other					34,333	27,730	62,063	298	
Transfers-internal activities					73,664	(73,664)	--	--	
Total general revenues and transfers					1,116,815	(45,934)	1,070,881	298	
Special item - gain on debt structure					--	--	--	32,729	
Change in net position					(68,873)	171,420	102,547	39,383	
Beginning net position, as restated (see Note 18)					(184,336)	3,788,065	3,603,729	(25,894)	
Ending net position					\$ (253,209)	3,959,485	3,706,276	13,489	

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

Governmental Funds
Balance Sheet
September 30, 2018
(In thousands)

City of Austin, Texas
Exhibit B-1

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 51	--	51
Pooled investments and cash	213,964	353,362	567,326
Investments	--	28,533	28,533
Cash held by trustee - restricted	--	8,826	8,826
Investments held by trustee - restricted	--	1,868	1,868
Property taxes receivable, net of allowance	8,207	3,810	12,017
Accounts receivable, net of allowance	62,401	33,064	95,465
Receivables from other governments	1,076	15,315	16,391
Notes receivable, net of allowance	162	26,504	26,666
Due from other funds	--	11,128	11,128
Advances to other funds	--	8,683	8,683
Inventories, at cost	45	--	45
Real property held for resale	--	5,836	5,836
Prepaid items	2,019	--	2,019
Other assets	59	3,808	3,867
Total assets	287,984	500,737	788,721
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	25,361	25,207	50,568
Accrued payroll	26,553	548	27,101
Accrued compensated absences	137	--	137
Due to other funds	231	11,112	11,343
Due to other governments	10	--	10
Unearned revenue	--	3,320	3,320
Advances from other funds	441	8,204	8,645
Deposits and other liabilities	6,689	78,929	85,618
Total liabilities	59,422	127,320	186,742
DEFERRED INFLOWS OF RESOURCES			
	15,628	6,896	22,524
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	2,064	--	2,064
Permanent funds	--	1,070	1,070
Restricted	--	223,062	223,062
Committed	--	45,169	45,169
Assigned	37,561	108,333	145,894
Unassigned	173,309	(11,113)	162,196
Total fund balances	212,934	366,521	579,455
Total liabilities, deferred inflows of resources, and fund balances	\$ 287,984	500,737	788,721

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, 2018
(in thousands)

City of Austin, Texas
Exhibit B-1.1

Total fund balances - Governmental funds \$ 579,455

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Governmental capital assets	4,817,505	
Less: accumulated depreciation	<u>(1,860,540)</u>	2,956,965

Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.

Other assets	<u>1,309</u>	1,309
--------------	--------------	-------

Deferred outflows represent the consumption of net position that are applicable to a future reporting period.

Pensions	190,260	
Other postemployment benefits	210,083	
Loss on debt refundings	<u>19,073</u>	419,416

Long-term liabilities are not payable in the current period and are not reported in the funds.

Compensated absences	(137,776)	
Interest payable	(8,693)	
Bonds and other tax supported debt payable, net	(1,454,316)	
Net pension liability	(1,067,452)	
Other postemployment benefits	(1,573,263)	
Other liabilities	<u>(21,604)</u>	(4,263,104)

Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.

Unavailable revenue		
Property taxes and interest	12,097	
Accounts and other taxes receivable	10,427	
Pensions	(73,937)	
Other postemployment benefits	(11,713)	
Deferred gain on service concession agreement	<u>(1,028)</u>	(64,154)

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.

116,904

Total net position - Governmental activities	<u>\$ (253,209)</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, 2018
(In thousands)

City of Austin, Texas
Exhibit B-2

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 457,789	158,635	616,424
Sales taxes	232,319	--	232,319
Franchise fees and other taxes	48,391	111,363	159,754
Fines, forfeitures and penalties	10,330	5,434	15,764
Licenses, permits and inspections	54,103	321	54,424
Charges for services/goods	61,705	22,610	84,315
Intergovernmental	--	65,632	65,632
Property owners' participation and contributions	--	16,355	16,355
Interest and other	21,389	12,865	34,254
Total revenues	886,026	393,215	1,279,241
EXPENDITURES			
Current:			
General government	135,161	2,850	138,011
Public safety	584,760	12,325	597,085
Transportation, planning, and sustainability	--	5,162	5,162
Public health	84,410	21,606	106,016
Public recreation and culture	120,120	14,455	134,575
Urban growth management	82,293	68,342	150,635
Debt service:			
Principal	--	99,572	99,572
Interest	--	64,674	64,674
Fees and commissions	--	27	27
Capital outlay-capital project funds	--	139,324	139,324
Total expenditures	1,006,744	428,337	1,435,081
Deficiency of revenues over expenditures	(120,718)	(35,122)	(155,840)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	118,216	118,216
Bond premiums	--	17,237	17,237
Transfers in	173,614	69,242	242,856
Transfers out	(11,776)	(143,679)	(155,455)
Total other financing sources (uses)	161,838	61,016	222,854
Net change in fund balances	41,120	25,894	67,014
Fund balances at beginning of year	171,814	340,627	512,441
Fund balances at end of year	\$ 212,934	366,521	579,455

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, 2018
(In thousands)

City of Austin, Texas
Exhibit B-2.1

Net change in fund balances - Governmental funds \$ 67,014

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	139,324	
Capital outlay-other funds	9,716	
Depreciation expense	(126,239)	
Loss on disposal of capital assets	(523)	
Other asset adjustments	<u>(24,572)</u>	(2,294)

Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.

Property taxes	321	
Charges for services	(408)	
Interest and other	(548)	
Capital asset contributions	<u>75,993</u>	75,358

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	(118,216)	
Principal repayment on long-term debt	99,572	
Bond premiums	<u>(17,237)</u>	(35,881)

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	(7,740)	
Pensions	(79,849)	
Other postemployment benefits	(130,911)	
Interest and other	<u>24,951</u>	(193,549)

A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.

20,479

Change in net position - Governmental activities \$ (68,873)

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

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
ASSETS			
Current assets:			
Cash	\$ 22	5	3
Pooled investments and cash	454,016	190,509	12,038
Pooled investments and cash - restricted	31,035	59,975	17,341
Total pooled investments and cash	485,051	250,484	29,379
Investments - restricted	44,328	46,835	32,843
Cash held by trustee	--	1,601	--
Cash held by trustee - restricted	--	1,144	--
Working capital advances	2,225	--	--
Accounts receivable, net of allowance	137,033	62,229	3,982
Receivables from other governments	--	62	--
Receivables from other governments - restricted	5,765	--	1,976
Due from other funds	381	301	--
Inventories, at cost	66,838	2,214	1,931
Regulatory assets, net of accumulated amortization	3,323	26,229	--
Prepaid expenses	22,543	568	516
Other receivables - restricted	--	--	4,370
Other assets	9,058	--	1,084
Total current assets	776,567	391,672	76,084
Noncurrent assets:			
Cash - restricted	4,920	--	--
Pooled investments and cash - restricted	66,834	90,802	454,323
Advances to other funds	11,755	1,803	--
Advances to other funds - restricted	--	--	32
Investments - restricted	239,044	52,214	40,124
Investments held by trustee - restricted	220,578	7,789	--
Interest receivable - restricted	410	--	--
Depreciable capital assets, net	2,327,110	3,184,855	960,563
Nondepreciable capital assets	268,690	485,601	249,408
Derivative instruments - energy risk management	50	--	--
Regulatory assets, net of accumulated amortization	696,201	324,757	--
Other receivables - restricted	7,696	--	--
Other long-term assets	2,078	--	18,261
Total noncurrent assets	3,845,366	4,147,821	1,722,711
Total assets	4,621,933	4,539,493	1,798,795
DEFERRED OUTFLOWS OF RESOURCES			
	\$ 109,392	115,262	41,918

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

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Nonmajor</u>		<u>Activities-</u>
	<u>Enterprise</u>		<u>Internal Service</u>
	<u>Funds</u>	<u>Total</u>	<u>Funds</u>
ASSETS			
Current assets:			
Cash	33	63	10
Pooled investments and cash	416,021	1,072,584	177,405
Pooled investments and cash - restricted	14,982	123,333	--
Total pooled investments and cash	431,003	1,195,917	177,405
Investments - restricted	12,311	136,317	--
Cash held by trustee	--	1,601	--
Cash held by trustee - restricted	--	1,144	2,179
Working capital advances	--	2,225	--
Accounts receivable, net of allowance	21,288	224,532	12,037
Receivables from other governments	29	91	1,018
Receivables from other governments - restricted	680	8,421	--
Due from other funds	1,148	1,830	--
Inventories, at cost	3,169	74,152	2,953
Regulatory assets, net of accumulated amortization	--	29,552	--
Prepaid expenses	377	24,004	2,194
Other receivables - restricted	--	4,370	--
Other assets	--	10,142	--
Total current assets	470,038	1,714,361	197,796
Noncurrent assets:			
Cash - restricted	--	4,920	--
Pooled investments and cash - restricted	26,731	638,690	5,428
Advances to other funds	--	13,558	12
Advances to other funds - restricted	229	261	--
Investments - restricted	10,263	341,645	--
Investments held by trustee - restricted	--	228,367	--
Interest receivable - restricted	--	410	--
Depreciable capital assets, net	356,509	6,829,037	71,319
Nondepreciable capital assets	324,568	1,328,267	601
Derivative instruments - energy risk management	--	50	--
Regulatory assets, net of accumulated amortization	--	1,020,958	--
Other receivables - restricted	--	7,696	--
Other long-term assets	--	20,339	--
Total noncurrent assets	718,300	10,434,198	77,360
Total assets	1,188,338	12,148,559	275,156
DEFERRED OUTFLOWS OF RESOURCES	94,518	361,090	105

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 81,327	3,775	2,837
Accounts and retainage payable from restricted assets	11,115	16,509	33,402
Accrued payroll	7,852	4,033	1,542
Accrued compensated absences	11,067	5,579	2,355
Claims payable	64	141	--
Due to other funds	--	--	166
Due to other governments	3,464	--	5
Accrued interest payable from restricted assets	20,614	62,682	11,559
Interest payable on other debt	527	137	--
Bonds payable	--	--	20
Bonds payable from restricted assets	37,116	36,165	24,249
Other postemployment benefits liability	6,619	4,485	1,852
Capital lease obligations payable	56	--	--
Customer and escrow deposits payable from restricted assets	27,283	12,239	1,116
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	3,753	--	--
Other liabilities	975	2,229	1,685
Other liabilities payable from restricted assets	487	--	--
Total current liabilities	<u>212,319</u>	<u>147,974</u>	<u>80,788</u>
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	--	--
Claims payable	5	212	--
Advances from other funds	--	556	341
Advances from other funds payable from restricted assets	--	10,821	--
Capital appreciation bond interest payable	--	2,722	--
Commercial paper notes payable, net of discount	212,597	42,170	--
Bonds payable, net of discount and inclusive of premium	1,216,890	2,433,401	829,245
Net pension liability	240,493	127,015	43,715
Other postemployment benefits liability	308,236	208,869	86,267
Capital lease obligations payable	878	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	201,617	--	--
Derivative instruments - energy risk management	7,796	--	--
Derivative instruments - interest rate swaps	--	9,653	12,349
Other liabilities	33,041	--	--
Other liabilities payable from restricted assets	2,811	--	--
Total noncurrent liabilities	<u>2,224,364</u>	<u>2,835,419</u>	<u>971,917</u>
Total liabilities	<u>2,436,683</u>	<u>2,983,393</u>	<u>1,052,705</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>\$ 389,490</u>	<u>760,948</u>	<u>185,891</u>

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

(Continued)

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	7,835	95,774	16,653
Accounts and retainage payable from restricted assets	4,426	65,452	--
Accrued payroll	6,108	19,535	6,502
Accrued compensated absences	7,938	26,939	9,052
Claims payable	--	205	23,655
Due to other funds	1,449	1,615	--
Due to other governments	--	3,469	3
Accrued interest payable from restricted assets	796	95,651	8
Interest payable on other debt	489	1,153	--
Bonds payable	13,713	13,733	355
Bonds payable from restricted assets	13,440	110,970	--
Other postemployment benefits liability	7,049	20,005	--
Capital lease obligations payable	--	56	2,115
Customer and escrow deposits payable from restricted assets	6,516	47,154	174
Accrued landfill closure and postclosure costs	2,591	2,591	--
Decommissioning liability payable from restricted assets	--	3,753	--
Other liabilities	11	4,900	2,600
Other liabilities payable from restricted assets	418	905	--
Total current liabilities	72,779	513,860	61,117
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	714	714	372
Claims payable	--	217	24,319
Advances from other funds	2,151	3,048	--
Advances from other funds payable from restricted assets	--	10,821	--
Capital appreciation bond interest payable	--	2,722	--
Commercial paper notes payable, net of discount	--	254,767	--
Bonds payable, net of discount and inclusive of premium	199,479	4,679,015	2,294
Net pension liability	173,829	585,052	--
Other postemployment benefits liability	328,257	931,629	--
Capital lease obligations payable	--	878	7,765
Accrued landfill closure and postclosure costs	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	201,617	--
Derivative instruments - energy risk management	--	7,796	--
Derivative instruments - interest rate swaps	5,721	27,723	--
Other liabilities	--	33,041	--
Other liabilities payable from restricted assets	--	2,811	--
Total noncurrent liabilities	720,050	6,751,750	34,750
Total liabilities	792,829	7,265,610	95,867
DEFERRED INFLOWS OF RESOURCES			
	10,714	1,347,043	1

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
NET POSITION			
Net investment in capital assets	\$ 927,258	638,134	335,667
Restricted for:			
Bond reserve	13,297	15,573	3,330
Capital projects	25,089	20,976	205,237
Debt service	23,714	--	21,317
Operating reserve	--	45,089	16,225
Passenger facility charges	--	--	110,452
Renewal and replacement	42,458	--	10,000
Strategic reserve	192,352	--	--
Unrestricted	680,984	190,642	(100,111)
Total net position	\$ 1,905,152	910,414	602,117
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	25,706	14,825	5,316
Total net position - Business-type activities	\$ 1,930,858	925,239	607,433

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

(Continued)

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Nonmajor</u>		<u>Activities-</u>
	<u>Enterprise</u>		<u>Internal Service</u>
	<u>Funds</u>	<u>Total</u>	<u>Funds</u>
NET POSITION			
Net investment in capital assets	474,160	2,375,219	59,391
Restricted for:			
Bond reserve	7,269	39,469	--
Capital projects	24,608	275,910	5,428
Debt service	12,476	57,507	--
Operating reserve	4,706	66,020	--
Passenger facility charges	--	110,452	--
Renewal and replacement	881	53,339	--
Strategic reserve	--	192,352	--
Unrestricted	(44,787)	726,728	114,574
Total net position	<u>479,313</u>	<u>3,896,996</u>	<u>179,393</u>
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	16,642	62,489	
Total net position - Business-type activities	<u>495,955</u>	<u>3,959,485</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, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
OPERATING REVENUES			
Utility services	\$ 1,400,523	575,066	--
User fees and rentals	--	--	167,284
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,400,523	575,066	167,284
OPERATING EXPENSES			
Operating expenses before depreciation	1,122,290	273,522	118,126
Depreciation and amortization	165,645	124,678	33,723
Total operating expenses	1,287,935	398,200	151,849
Operating income (loss)	112,588	176,866	15,435
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	10,645	4,994	7,542
Interest on revenue bonds and other debt	(58,845)	(95,722)	(33,318)
Passenger facility charges	--	--	30,142
Loss on in-substance defeasance	--	(1,180)	--
Cost (recovered) to be recovered in future years	81,602	(109,039)	--
Other nonoperating revenue (expense)	(10,386)	1,588	(375)
Total nonoperating revenues (expenses)	23,016	(199,359)	3,991
Income (loss) before contributions and transfers	135,604	(22,493)	19,426
Capital contributions	34,986	73,892	7,593
Transfers in	2,879	65	--
Transfers out	(115,885)	(51,857)	(182)
Change in net position	57,584	(393)	26,837
Beginning net position, as restated (see Note 18)	1,847,568	910,807	575,280
Ending net position	\$ 1,905,152	910,414	602,117
Reconciliation to government-wide Statement of Activities			
Change in net position	57,584	(393)	26,837
Adjustment to consolidate internal service activities	5,568	3,268	1,261
Change in net position - Business-type activities	\$ 63,152	2,875	28,098

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