New Issues: Book-Entry-Only System

Ratings: Moody's: "A1" (stable outlook)
S&P: "A" (stable outlook)
Kroll: "AA-" (stable outlook)
(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the 2019A Bonds is excludable from gross income for federal income tax purposes, and (ii) the 2019A Bonds are not "private activity bonds." Further, in the opinion of Bond Counsel, under existing law, (i) interest on the 2019B Bonds is excludable from gross income for federal income tax purposes, except for any period during which a 2019B Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the 2019B Bonds or a "related person" to such a "substantial user," each within the meaning of section 147(a) of the Code and (ii) interest on the 2019B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability. See "TAX MATTERS" for a discussion of the opinions of Bond Counsel.

CITY OF AUSTIN, TEXAS

$58,620,000*
Airport System Revenue Bonds, Series 2019A

$252,865,000*
Airport System Revenue Bonds, Series 2019B (AMT)

Dated: August 1, 2019; Interest to accrue from Date of Initial Delivery

Due: As shown on the inside cover page

The $[ ]* City of Austin, Texas Airport System Revenue Bonds, Series 2019A (the "2019A Bonds") and the $[ ]* City of Austin, Texas Airport System Revenue Bonds, Series 2019B (AMT) (the "2019B Bonds" and, collectively with the 2019A Bonds, the "Bonds"), are limited special obligations of the City of Austin, Texas (the "City"), issued pursuant to the ordinances adopted by the City on June 20, 2019 (the "Ordinances"). In the Ordinances, the City Council has delegated the authority to sell the Bonds to an Authorized Officer (as defined in the Ordinances), subject to the parameters set forth in the Ordinances.

The proceeds of the Bonds will be used for the purposes of (i) designing and constructing improvements to Austin-Bergstrom International Airport ("ABIA" or the "Airport"), as more fully described in "DESCRIPTION OF THE 2019 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCE" and "APPLICATION OF BOND PROCEEDS" in this document.

Interest on the Bonds is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of initial delivery, and is payable on November 15, 2019 and semiannually thereafter on May 15 and November 15 of each year until maturity or prior redemption. The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" in this document.

The Bonds of each series are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described in this document. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

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

The Bonds are offered for delivery when, as and if issued, subject to receipt of the opinions of the Attorney General of the State of Texas and Bracewell LLP, Bond Counsel for the City. See "APPENDIX D – FORMS OF BOND COUNSEL'S OPINIONS" in this document. Certain legal matters will be passed upon for the City by McCall, Parkhurst & Horton L.L.P. as disclosure counsel to the City, and for the underwriters listed below (the "Underwriters") by their counsel, Haynes and Boone, LLP. It is expected that the Bonds will be available for initial delivery to the Underwriters through DTC on or about August 6, 2019.

Citi
Jefferies

Morgan Stanley
Raymond James

* Preliminary, subject to change.

$58,620,000*
CITY OF AUSTIN, TEXAS
Airport System Revenue Bonds, Series 2019A

MATURITY SCHEDULE
Base CUSIP No. 052398 [1]

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield[2]	CUSIP Suffix [1]

$_____ ___% Term Bonds maturing November 15, 20__, priced to yield ____%[2], CUSIP Suffix ___ [1]

(Interest to accrue from the Date of Initial Delivery)

$252,865,000*
CITY OF AUSTIN, TEXAS
Airport System Revenue Bonds, Series 2019B (AMT)

MATURITY SCHEDULE
Base CUSIP No. 052398 [1]

Maturity Date (November 15)	Principal Amount	Interest Rate	Initial Yield[2]	CUSIP Suffix [1]

$_____ ___% Term Bonds maturing November 15, 20__, priced to yield ____%[2], CUSIP Suffix ___ [1]

(Interest to accrue from the Date of Initial Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Service ("CGS"), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. CUSIP numbers are provided for convenience of reference only. The City and the Financial Advisor take no responsibility for the accuracy of the CUSIP numbers.
(2) Initial yield priced to November 15, 20__, the first optional call date. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds" in this document.

* Preliminary, subject to change.

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

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

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

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

The information and expressions of the opinions in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under the Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described since the date of this Official Statement.

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

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

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

THIS OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE CITY FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

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

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

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CITY OF AUSTIN, TEXAS

Elected Officials

Name	Position	Term Expires January
Steve Adler	Mayor	2023
Natasha Harper-Madison	Councilmember District 1	2023
Delia Garza, Mayor Pro Tem	Councilmember District 2	2021
Sabino "Pio" Renteria	Councilmember District 3	2023
Gregorio "Greg" Casar	Councilmember District 4	2021
Ann Kitchen	Councilmember District 5	2023
Jimmy Flannigan	Councilmember District 6	2021
Leslie Pool	Councilmember District 7	2021
Paige Ellis	Councilmember District 8	2023
Kathryne B. Tovo	Councilmember District 9	2023
Alison Alter	Councilmember District 10	2021

Appointed Officials

Spencer Cronk	City Manager
Elaine Hart, CPA	Deputy City Manager/Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Jannette S. Goodall	City Clerk

BOND COUNSEL
Bracewell LLP
Austin, Texas

DISCLOSURE COUNSEL FOR THE CITY
McCall, Parkhurst & Horton L.L.P.
Dallas and Austin, Texas

FINANCIAL ADVISOR
PFM Financial Advisors LLC
Austin, Texas

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Austin, Texas

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OFFICIAL STATEMENT

relating to
CITY OF AUSTIN, TEXAS

$58,620,000* Airport System Revenue Bonds, Series 2019A	$252,865,000* Airport System Revenue Bonds, Series 2019B (AMT)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the appendices to this Official Statement, is to set forth information concerning the City of Austin, Texas (the "City"), the Airport System (as defined in the Ordinances, as defined below), and the City's Airport System Revenue Bonds, Series 2019A (the "2019A Bonds") and the Airport System Revenue Bonds, Series 2019B (AMT) (the "2019B Bonds" and, collectively, with the 2019A Bonds, the "Bonds"). The Bonds are limited special obligations of the City issued pursuant to the ordinances adopted by the City on June 20, 2019, authorizing the issuance of each series of the Bonds (the "Ordinances"). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinances. The definitions of certain terms used in the Ordinances and in this Official Statement are included in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions" in this document.

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

The Bonds, together with the Currently Outstanding Revenue Bonds, are secured by and payable from a first lien on the Net Revenues of the Airport System. Under certain circumstances, the Ordinances permit the issuance of Additional Revenue Bonds which rank on a parity with the Currently Outstanding Revenue Bonds. The Bonds are being issued as Additional Revenue Bonds. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Additional Revenue Bonds" in this document. As defined in the Ordinances, the "Currently Outstanding Revenue Bonds" include the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds and the Series 2019 Bonds. For a description of the outstanding principal balances of the Currently Outstanding Revenue Bonds, see "OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BOND AND SUBORDINATE OBLIGATIONS – Outstanding Revenue Bonds" in this document. The Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds are referred to in the Ordinances as the "Revenue Bonds," and the Ordinances, the ordinances pursuant to which the Currently Outstanding Revenue Bonds were issued and any ordinances pursuant to which any Additional Revenue Bonds are issued, are referred to as "Revenue Bond Ordinances."

Amendments to Revenue Bond Ordinances

The Ordinances include amendments to the Ordinances and the existing Revenue Bond Ordinances. **By acceptance of the Bonds, each Owner of a Bond (i) irrevocably and specifically consents to and approves amendments to the Ordinances and the existing Revenue Bond Ordinances described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence an Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner. The amendments described below have not been consented to by any of the Owners of the Currently Outstanding Revenue Bonds.**

The amendments are as follows: amend the definition of "Debt Service Reserve Fund Surety Bond" in Section 2.01 of the Ordinances and the Revenue Bond Ordinances pursuant to which the Currently Outstanding Revenue Bonds were issued as shown below (deletions shown as ~~strikethrough~~ and additions underlined):

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* Preliminary, subject to change.

"Debt Service Reserve Fund Surety Bond" means any surety bond, letter of credit, line of credit or insurance policy ~~having a rating in the highest respective rating categories by Moody's and Standard & Poor's~~ issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated "Aa3" or higher by Moody's or "AA-" or higher by Standard & Poor's.

The amendments described above require the consent of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding, and such amendments have not been consented to by any of the Owners of the Currently Outstanding Revenue Bonds. Upon the issuance of the Bonds, the percentage of bondholders of the Currently Outstanding Revenue Bonds and the Bonds who have consented or will have been deemed to have consented to the amendments described above is approximately ___%.*

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE – Amendments to Revenue Bond Ordinances" and " – Amendments – Consent of Owners" in this document.

PLAN OF FINANCE

The proceeds of the Bonds will be used for the purposes of (i) designing and constructing improvements to Austin-Bergstrom International Airport ("ABIA" or the "Airport"), as more fully described in "DESCRIPTION OF THE 2019 PROJECTS" in this document, (ii) making a deposit to the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds, and (iv) paying certain costs of issuance incurred in connection with the issuance of the Bonds. See "APPLICATION OF BOND PROCEEDS" in this document.

DESCRIPTION OF THE 2019 PROJECTS

The projects to be funded in part with the proceeds of the Bonds are described below. In addition, the City currently intends to issue Additional Revenue Bonds is 2021, in an aggregate principal amount estimated to be approximately $368 million, to finance projects described below not financed in full with proceeds of the Bonds. The projects described below are collectively referred to in "APPENDIX A – The Report of the Airport Consultant" (the "Report") and in this document as the "2019-2023 Project". There is no assurance that all of the components of the 2019-2023 Project will be funded in the manner described in this paragraph, if and when the proposed issue of Additional Revenue Bonds, currently anticipated to occur in 2021, will occur, and whether the amount estimated to be issued as Additional Revenue Bonds will be sufficient to fund the balance of the costs of the 2019-2023 Project not funded with proceeds of the Bonds. Estimated project costs and funding sources for the 2019-2023 Project are shown in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A".

— Terminal and Apron Expansion and Improvement Project - The Terminal and Apron Expansion and Improvement project widened and extended the existing 95-foot-wide concourse and enlarged the adjacent aircraft parking apron to provide nine additional gates equipped with loading bridges. Four of the gates at the expanded east concourse will be capable of accommodating domestic and international flights by widebody aircraft. The four widebody gates and three of the narrowbody gates will allow access to the Customs and Border Protection ("CPB") facility (the expansion of which was completed in September 2015). As shown in APPENDIX A, $28 million of project costs of the Bonds are for the completion of this project. The total cost of this multi-year project was approximately $186.0 million, and had previously been funded with Passenger Facility Charges ("PFCs") and proceeds from the 2014 Bonds and the 2017B Bonds. Four of the nine gates became operational in February 2019. All gates in the east concourse are expected to be operational by September 2019.

- Parking Garage - The Parking Garage project is a new six-level parking structure with approximately 6,000 spaces at the Lot A site, north of the existing parking garage and west of the new rental car garage. The new garage will be connected to the existing garage and, net of the spaces lost at Lot A, will provide approximately 5,000 additional public parking spaces. The $47 million in project costs being funded with the 2019A Bonds represent project completion costs. The parking garage is anticipated to cost a total of $220 million and has been previously funded with proceeds from the 2014 Bonds and the 2017B Bonds. The parking garaged was completed in June

* Preliminary, subject to change.

2019 and is in use. The Parking Garage project includes the construction of a new Administration Building adjacent to the new Parking Garage. The Administration Building is anticipated to cost a total of $30 million and is expected to be comleted by the end of 2019.

— Other Building Projects - As shown in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A", the 2019B Bonds include reimbursement of the the City's purchase of the Lynxs Cargo Buildings.

  To allow for the co-location of building, airline, and field maintenance divisions of the City's Department of Aviation, the Bonds are also being used for the construction of a new consolidated Maintenance Facility.

  The Bonds are also being used to construct a new information technology (IT) building intended for use by the Department of Aviation and certain customer and user groups.

— Master Plan Projects - Looking beyond the 2019-2023 Project, the City prepared and submitted a new Master Plan to the FAA. The Master Plan (which has a 20-year planning horizon from 2018-2037) included several alternatives for future development of terminal facilities, with the possible addition of up to 20 new airline gates and commensurate passenger processing and baggage handling facilities. The City is evaluating its options for the phased delivery and funding of these future improvements. As shown in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit A", there are certain Landside, Terminal, and Airfield projects from the Master Plan to be funded with the planned 2021 Bonds. In particular, the Master Plan Terminal Projects include the design of new passenger processing facilities and the construction of utilities infrastructure. For purposes of the Report, the implementation of the remaining proposed Master Plan projects is not included in the forecast period presented in the Report presented in APPENDIX A.

— Other Capital Improvements - Other Airport renewal, replacement, and upgrade needs included in the 2019-2023 Project are:
  - Landside: Renewal and replacement of roads, utilities, roadway and circulation improvements, and other Airport support facilities and systems, as well as the construction of a 2,000-space surface parking lot for employees.
  - Terminal: Improvements to baggage handling systems and renewal and replacement of terminal facilities and systems.
  - Airfield: Modifications to certain taxiways, reconstruction and repair of perimeter fences, apron repairs, and other airside improvements.
  - Other: Replacement of capital equipment, vehicles, and IT systems.

See "THE AIRPORT SYSTEM – Airport Facilities" and "CAPITAL IMPROVEMENT PROGRAM" in this document and "FINANCIAL ANALYSIS – AIRPORT FACILITIES AND CAPITAL IMPROVEMENTS – 2019-2023 Project" in APPENDIX A.

APPLICATION OF BOND PROCEEDS

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

	2019A Bonds	2019B Bonds
Sources:		
Principal Amount		
Original Issue Premium		
Total Sources		
Uses:		
Deposit to Debt Service Reserve Fund		
Deposit to the Project Account		
Deposit to the Capitalized Interest Account		
Costs of Issuance (1)		
Total Uses		

(1) Includes Underwriters' discount, rating agency fees and paying agent and legal expenses.

DESCRIPTION OF THE BONDS

General

Each series of the Bonds will be issued in the respective aggregate principal amounts and at the interest rates, and will mature in the amounts and on the dates, as set forth on the inside cover page of this Official Statement. The Bonds will be issuable in principal denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and will be payable on November 15, 2019, and on each May 15 and November 15 thereafter (each such date is referred to as an "Interest Payment Date") until maturity or prior redemption. The Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases by beneficial owners of the Bonds (the "Beneficial Owners") are to be made in book-entry form. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" in this document.

Payment of the Bonds

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

Redemption of the Bonds

Optional Redemption

The City reserves the right, at its option, to redeem the Bonds of either series maturing on and after November 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 20__, or any date thereafter, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a series are to be redeemed, the City shall determine the respective series, maturities and amounts to be redeemed and, if less than all of a maturity and series is to be redeemed, the Paying Agent/Registrar (or DTC, while the Bonds are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds, or portions thereof, within the maturity and series to be redeemed.

Mandatory Sinking Fund Redemption

The 2019A Bonds having a stated maturity of November 15 in the year 20__ and the 2019B Bonds have a stated maturity of November 15 in the year 20__ (the "Term Bonds"), are subject to mandatory redemption in part prior to maturity at the redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption on November 15 in each of the years and in principal amounts as follows:

___% 2019A Term Bond due
November 15, 20__

Year	Principal Amount

† Stated maturity.

___% 2019B Term Bond due
November 15, 20__

Year	Principal Amount

† Stated maturity.

At least 50 days prior to each mandatory redemption date of the Term Bond of either series, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the series and stated applicable maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund; *provided*, that during any period in which ownership of the Term Bonds is determined only by a book entry at a securities depository for the Term Bonds, the particular Term Bonds shall be selected in accordance with the arrangements between the City and the securities depository.

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

Notice of Redemption

Not less than thirty (30) days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms and provisions relating thereto contained in the Ordinances. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of its redemption given, then on the redemption date the Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond shall cease to accrue from and after the redemption date of the Bond, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held by the Paying Agent/Registrar.

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

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

Limitation on Transfer of Bonds Called for Redemption

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

Defeasance of Bonds

The Ordinances provide that the City may discharge its obligation to the Owners of any or all of the Bonds of either series to pay Debt Service, or any portion of the Debt Service, by (1) depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or (2) depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000 cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, will no longer be regarded to be Outstanding or unpaid.

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

Book-Entry-Only System

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to as "Participants". DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

Paying Agent/Registrar

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

Transfer, Exchange and Registration

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

SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS

Pledge of Net Revenues

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

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

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

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

As of the date of this Official Statement, there are no Credit Agreements or Credit Agreement Obligations in effect or outstanding, as applicable; however, the City may enter into Credit Agreements in the future. The City has reserved the right to issue, for any lawful Airport System purpose, obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS - Subordinate Obligations" below in this document. The City has issued, and reserves the right to issue additional, obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes ("General Obligation Airport Bonds"). General Obligation Airport Bonds may be paid from remaining Net Revenues only after the payment of all Revenue Bonds and Subordinate Obligations. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES - Funds and Flow of Funds" in this document. The City transfers Net Revenues to pay debt service on General Obligation Airport Bonds, currently outstanding in the aggregate principal amount of $32,780, with maturities in each of the years 2019 through 2022. The City has no present intention of issuing any future General Obligation Airport Bonds.

Use of Passenger Facility Charges

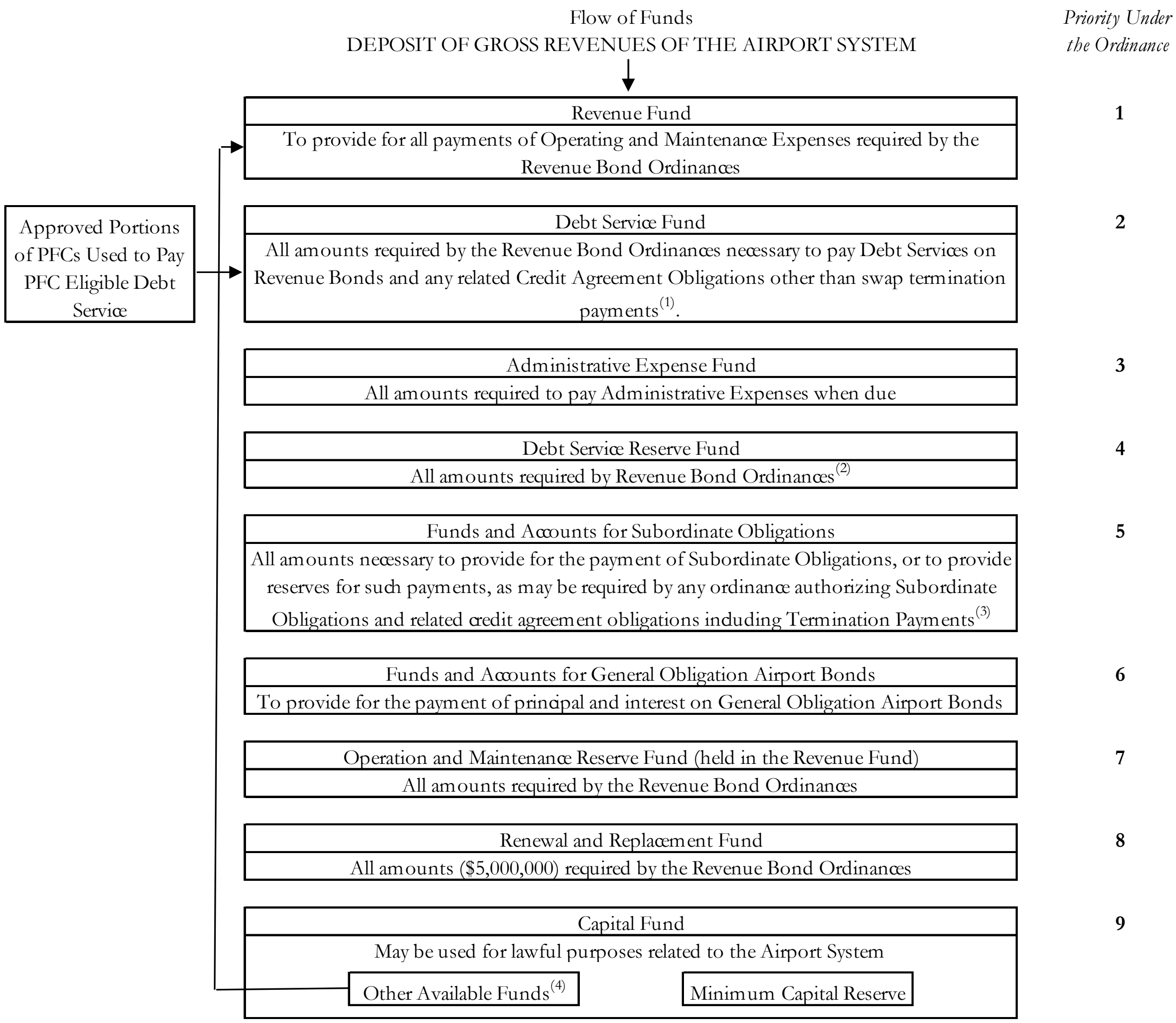
In the Revenue Bond Ordinances, the City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed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

The City intends to seek approval from the FAA to use PFCs to pay a portion of the debt service on the Bonds. Upon approval, the City intends to set aside PFCs to pay PFC-eligible debt service on the Bonds in accordance with the covenant described above. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval," "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Exhibit F" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Use of Passenger Facility Charges" in this document.

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

Flow of Funds

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



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

Rate Covenant

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

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

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

Debt Service Reserve Fund

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

Pursuant to the Revenue Bond Ordinances, Additional Revenue Bonds may only be issued if provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds. See "Additional Revenue Bonds" above in this document.

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

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event the Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of that month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in the Debt Service Reserve Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below this amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in amounts required to restore the Debt Service Reserve Fund to this amount and to pay reimbursement obligations within an 18 month period. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Funds and Flow of Funds – Debt Service Reserve Fund" in this document.

Upon the issuance of the Bonds, the aggregate Debt Service Reserve Requirement will be [$]*. The City will deposit a portion of the proceeds of the Bonds in the Debt Service Reserve Fund. Upon making this deposit, the Debt Service Reserve Fund will remain fully funded entirely with cash. See "APPLICATION OF BOND PROCEEDS" in this document.

Upon implementation of the amendments to the Ordinances and the Revenue Bond Ordinances described above in this document under "INTRODUCTION – Amendments to Revenue Bond Ordinances," the definition of "Debt Service Reserve Fund Surety Bond" in Section 2.01 of the Ordinances and the Revenue Bond Ordinances will be amended to read as follows:

> "Debt Service Reserve Fund Surety Bond" means any surety bond, letter of credit, line of credit or insurance policy issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated "Aa3" or higher by Moody's <u>or</u> "AA-" or higher by Standard & Poor's.

Remedies

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

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

The City may exercise authority to issue obligations and enter into credit agreements pursuant to Chapter 1371, secured by the Net Revenues of the Airport System. In the proceedings authorizing the issuance of obligations or the execution and delivery of credit agreements, the City may agree to waive sovereign immunity from suit or liability for the purposes of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation. The City has not waived the defense of sovereign immunity with respect to the Bonds under Chapter 1371. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the State legislature has effectively waived the City's sovereign immunity from a suit for money damages outside of Chapter 1371, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I, Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with Wasson I, "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the

* Preliminary, subject to change.

benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.
The City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenue, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce any other remedies available to the registered owners would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "CERTAIN INVESTMENT CONSIDERATIONS – Effect of a City Bankruptcy" in this document.

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

Additional Revenue Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit Agreement Obligations

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

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

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

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

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

Contingent Payment Obligations

The City has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the City to make payments contingent upon the occurrence or non-occurrence of certain future events, including events that are beyond the direct control of the City. These agreements include interest rate swap agreements and other similar agreements, letter of credit and line of credit agreements for advances of funds to the City in connection with its bonds and other obligations, and other agreements. See "Credit Agreement Obligations" above in this document. The contracts and agreements may provide for contingent payments that may be conditioned upon the credit ratings of the City and/or of the other parties to the contract or agreement, maintenance by the City of specified financial ratios, the inability of the City to obtain long-term refinancing for shorter-term obligations or liquidity arrangements, and other factors. The payments may be payable on a parity with debt service on the Bonds, including any payments made pursuant to a Swap Agreement. The amount of any such contingent payments may be substantial. To the extent that the City does not have sufficient funds on hand to make any such payment, it is likely that the City would seek to borrow such amounts through the issuance of Additional Revenue Bonds or Subordinate Obligations.

Subordinate Obligations

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

In connection with the issuance of $45,600,000 Austin-Bergstrom Landhost Enterprises, Inc. Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017, the City incurred a Subordinate Obligation, as further described in "OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Subordinate Obligation to Support Austin Airport Hotel Refinancing" in this document.

OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS

Outstanding Revenue Bonds

Five series of Revenue Bonds are outstanding as of July 1, 2019: the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, and the Series 2019 Bonds.

The Series 2013 Bonds are a fixed rate direct placement loan with Prosperity Bank with a final maturity of May 15, 2028. As of July 1, 2019, the outstanding principal amount of the Series 2013 Bonds was $48,030,000. The Series 2013 Bonds were issued for the purposes of designing and constructing improvements to the Airport, making a deposit to the Debt Service Reserve Fund and paying certain costs of issuance.

The Series 2014 Bonds were publicly offered as fixed-rate bonds with a final maturity of November 15, 2044. As of July 1, 2019, the outstanding principal amount of the Series 2014 Bonds was $244,495,000. The Series 2014 Bonds were issued for the purposes of designing and constructing improvements to the Airport, making a deposit to the Debt Service Reserve Fund, funding capitalized interest and paying certain costs of issuance.

The Series 2017A Bonds and the Series 2017B Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2046 for each series. As of July 1, 2019, the outstanding principal amount of the Series 2017A Bonds was $185,300,000 and the outstanding principal amount of the Series 2017B Bonds was $129,665,000. The Series 2017A Bonds and the Series 2017B Bonds were issued for the purposes of designing and constructing a new parking garage, expanding the passenger terminal, including the addition of new gates, and replacing or rehabilitating utility systems and other terminal infrastructure.

The Series 2019 Bonds were publicly offered as fixed rate bonds with a final maturity of November 15, 2025. As of July 1, 2019, the outstanding principal amount of the Series 2019 Bonds was $151,720,000. The Series 2019 Bonds were issued for the purposes of refunding outstanding airport system revenue bonds and paying a termination payment with respect to an interest rate swap agreement executed in connection therewith.

Special Facilities Bonds

The City has reserved the right to issue from time to time, in one or more series, Special Facilities Bonds as provided in the Ordinances to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments by Special Facilities lessees and/or other security not provided by the City. The Revenue Bond Ordinances provide that in no event will any Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. The City has issued and there is currently outstanding one series of Special Facilities Bonds, the City of Austin, Texas, Rental Car Special Facility Revenue Bonds, Taxable Series 2013 (the "Rental Car Special Facilities Bonds"). The Rental Car Special Facilities Bonds are payable only from certain pledged revenues, consisting of rental car daily usage fees charged and collected and to be charged and collected by concessionaire rental car companies using rental car facilities at the Airport pursuant to concession agreements, any contingent fees payable by concessionaires under such concession agreements, any amounts drawn under separate letters of credit delivered by concessionaires, rental payments for parking garage vehicle staging lanes and staging spaces required pursuant to such concession agreements and investment earnings on such revenues. The Net Revenues of the Airport System have not been pledged, and no other general or special revenues of the Airport System have been pledged, as security for the payment of the Rental Car Special Facilities Bonds. The Rental Car Special Facilities Bonds are not general obligations of the City. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Pledge of Net Revenues" and "AIRPORT REVENUES AND AGREEMENTS – Rental Car Company Agreements" in this document.

Subordinate Obligation to Support Austin Airport Hotel Refinancing

General

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

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

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

Refinancing of Series 1999 Airport Hotel Bonds

On November 1, 2017, ABLE issued its Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017, in the aggregate principal amount of $45,600,000 (the "Series 2017 Hotel Bonds"), to effect the redemption and cancellation of the outstanding Series 1999 Airport Hotel Bonds, to finance improvements to the Airport Hotel, to fund a debt service reserve fund for, and to pay costs of issuance of, the Series 2017 Hotel Bonds. The Series 1999 Airport Hotel Bonds are no longer outstanding as of December 1, 2017, and all rights of the holders of the Series 1999 Airport Hotel Bonds have been extinguished. The Series 2017 Hotel Bonds are secured by a pledge of "Net Revenues", which consist of gross revenues generated by the operation of the Airport Hotel, net of (1) operation and maintenance expenses, (2) administrative fees of the bond trustee, any consultant retained by ABLE in accordance with the proceedings authorizing the issuance of the Series 2017 Hotel Bonds, and ABLE, and (3) repair and replacement fund expenses, all as described in the proceedings authorizing the issuance of the Series 2017 Hotel Bonds. Further, in connection with the issuance of the Series 2017 Hotel Bonds, the City and ABLE entered into an agreement (the "Series 2017 Hotel Grant Agreement") pursuant to which the City has agreed, if there occurs a deficiency in the reserve fund securing the Series 2017 Hotel Bonds (the "Series 2017 Hotel Reserve Fund") resulting from a reduction of the Series 2017 Hotel Reserve Fund to pay current debt service on the Series 2017 Hotel Bonds below the "Senior Debt Service Reserve Fund Requirement" (defined in the Trust Indenture between ABLE and U.S. Bank National Association, as trustee, to mean (a) on November 1, 2017, the average annual principal and interest requirements for the Series 2017 Hotel Bonds and (b) on each Calculation Date (defined to mean October 1, 2022 and each fifth anniversary thereafter while the Series 2017 Hotel Bonds are outstanding), the Trustee shall provide to the City a reserve fund deficiency notice, and the City shall determine within 90 days after receipt of such deficiency notice whether surplus revenues held by the City under the terms of its ordinances authorizing the Currently Outstanding Revenue Bonds, the Bonds and any Additional Revenue Bonds ("Surplus Airport System Revenues") are sufficient to replenish the Series 2017 Hotel Reserve Fund to the Senior Debt Service Reserve Fund Requirement. If Surplus Airport System Revenues are sufficient, the City will effect a grant to ABLE, and shall transfer Surplus Airport System Revenues to the Trustee within 120 days of its receipt of a debt service reserve deficiency notice, in accordance with the terms of the Series 2017 Hotel Grant Agreement, for deposit to the credit of the 2017 Hotel Reserve Fund in an amount equal to such deficiency. The grant payments, if any, constitute a Subordinate Obligation, and the sole source of money available to the City to make any such grant payment is Surplus Airport System Revenues. The Series 2017 Hotel Bonds have a final stated maturity date of October 1, 2036.

DEBT SERVICE REQUIREMENTS

Bond Year Ending November 15th	Outstanding Revenue Bonds[1]	Plus: The Series 2019A Bonds			Plus: The Series 2019B Bonds			Total Debt Service
		Principal	Interest	Total	Principal	Interest	Total	
2019	$59,600,332							$59,600,332
2020	51,519,957							51,519,957
2021	61,344,645							61,344,645
2022	61,214,665							61,214,665
2023	61,091,039							61,091,039
2024	60,956,325							60,956,325
2025	60,813,354							60,813,354
2026	51,675,059							51,675,059
2027	50,203,563							50,203,563
2028	50,213,938							50,213,938
2029	44,796,000							44,796,000
2030	44,792,250							44,792,250
2031	44,800,000							44,800,000
2032	44,796,250							44,796,250
2033	44,799,000							44,799,000
2034	44,800,250							44,800,250
2035	44,797,250							44,797,250
2036	44,797,250							44,797,250
2037	44,797,000							44,797,000
2038	44,793,250							44,793,250
2039	44,792,750							44,792,750
2040	44,791,750							44,791,750
2041	44,796,500							44,796,500
2042	44,797,750							44,797,750
2043	44,796,500							44,796,500
2044	44,798,500							44,798,500
2045	24,569,000							24,569,000
2046	24,564,750							24,564,750
	$1,334,508,875							$1,334,508,875

THE AIRPORT SYSTEM

The Airport primarily serves origin and destination ("O&D") passengers estimated to have accounted for approximately 95% of enplaned passengers in the City's fiscal year ended September 30, 2018, with the remaining 5% of passengers connecting between flights. Approximately 97% of enplaned passengers in fiscal year 2018 were domestic passengers who live in or who are visiting the Airport System's five-county service area, and approximately 3% were international passengers. See "AIRPORT SERVICE REGION" and "AIRPORT ACTIVITY" in this document.

Airport Facilities

The Airport System is comprised of airport, heliport and aviation facilities or any interest therein owned, operated or controlled in whole or in part by the City and as defined in the Revenue Bond Ordinances, includes Austin-Bergstrom International Airport ("ABIA" or the "Airport"), but expressly excludes any heliport or heliports operated by City departments other than the Aviation Department and also excludes the Mueller Airport Property and the Austin consolidated rental car facility, which was constructed by the City with proceeds of special facility revenue bonds. ABIA is classified by the FAA as a medium hub airport and according to Airports Council International, ABIA is the 38th largest airport in the United States based on calendar year 2017 total passengers.

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

ABIA occupies a 4,240-acre site approximately eight miles southeast of downtown Austin. Airport access is provided by Texas State Highway 71 (SH 71), a six-lane divided highway running east-west, and U.S. Highway 183 (US 183), a four-lane divided highway running north-south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west.

The Airport's two parallel north-south runways, designated 17L-35R and 17R-35L, are 9,000 feet and 12,250 feet long, respectively, 150 feet wide, and capable of accommodating all aircraft now in commercial service. The runways are separated by 6,700 feet, allowing their use for the simultaneous arrival of aircraft in virtually all weather conditions.

The main passenger terminal, the Barbara Jordan Terminal (the "Terminal" or the "North Terminal"), is 964,000 square feet and contains four levels, including the expansion of the passenger terminal and addition of nine new gates.

> Level 1, the baggage claim level, provides 149,000 square feet of space for baggage claim devices, lobby, and support facilities. The baggage claim level accommodates a 33,000-square-foot Customs and Border Patrol ("CBP") facility for the processing of arriving international passengers.
>
> Level 2, the apron level, provides 321,000 square feet of space for inbound and outbound baggage handling equipment and facilities, airline operations space, and other non-public areas. The apron level also provides a passenger holdroom for the ground-level loading of regional airline aircraft (Gate 1). The aircraft parking apron adjacent to the terminal provides approximately 96 acres for aircraft parking at the 34 terminal gates, as well as "remain overnight" parking positions.
>
> Level 3, the concourse level, provides 393,000 square feet of space for airline check-in counters with lobby and queuing areas, airline offices, public circulation areas, passenger security screening facilities, concessions, passenger holdrooms, restrooms, and supporting facilities. The concourse provides 32 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service, one loading bridge-equipped gate (Gate 2) capable of accommodating widebody aircraft in international service and providing access to the CBP facility and to Gate 1 at the apron level.
>
> Level 4, the mezzanine level, provides 94,000 square feet of space for Aviation Department and other offices and for airline club rooms. Above the mezzanine level is a 7,000-square-foot penthouse level with mechanical rooms.

As described below in this document, the Airport also includes a second passenger terminal, the 30,000 square-foot South Terminal opened in April 2017. In March 2016, the City entered into a South Terminal concession and lease agreement with the parent company of LoneStar Airport Holdings, LLC for an initial 30-year term to redevelop and operate the South Terminal as more fully described below. The South Terminal includes three aircraft gates, ticketing and check-in areas, a central passenger hold room, a TSA checkpoint, a baggage screening area, a baggage claim area, a food court and other passenger amenities. See "AIRPORT REVENUES AND AGREEMENTS – South Terminal Arrangements" below in this document.

Approximately 12,700 public and 1,500 employee parking spaces are provided on Airport property in a three-level parking garage adjacent to the Terminal, and in surface lots served by shuttle buses. The parking garage provides 3,654 spaces for short-term and valet public parking. The first level of the garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the garage is at the same level as the departures roadway and concourse level of the terminal. Two levels of the newly constructed parking garage are currently open. The new garage is expected to be substantially complete and operational in June 2019.

The CONRAC garage opened in September 2015 and provides 3,200 rental car spaces. When the rental car garage opened, the 1,100 spaces on the third level of the existing garage were converted to use for public parking. The consolidated rental car garage was financed with the proceeds of bonds that are Special Facilities Bonds payable primarily from customer facility charges ("CFCs"), and parking garage rental fees and concession fees. See "OUTSTANDING REVENUE BONDS, SPECIAL FACILITIES BONDS AND SUBORDINATE OBLIGATIONS – Special Facilities Bonds" above in this document and "AIRPORT REVENUES AND AGREEMENTS – Rental Car Company Agreements" below in this document.

Other facilities at the Airport include air cargo and general aviation facilities and facilities for Texas Department of Transportation flight services, Texas Air National Guard, aviation support, and non-aeronautical facilities.

AIRPORT MANAGEMENT

The Department of Aviation is a department within the City. See "THE CITY" in this document. The operations of the Department of Aviation are managed by the Executive Director of Aviation who is appointed by the City Manager. The Executive Director of Aviation sets rates and charges for the Airport. Biographical information concerning the Executive Director of Aviation and other key employees of the Department of Aviation is provided below.

Jacqueline Yaft, Executive Director of Aviation. Ms. Yaft succeeded retired Aviation Executive Director Jim Smith effective June 10, 2019 and is responsible for the City's Department of Aviation. She has over 20 years of experience at some of the largest hub airports in the U.S., including the Los Angeles World Airports, Denver International Airport, and JFK International Airport. She has served in executive positions within operations management, airport safety and security compliance, and master plan implementation. At Los Angeles World Airports, she served as the Deputy Executive Director of Operations and Emergency Management, where she led airport operations throughout a series of major infrastructure projects at LAX. She received a Bachelor of Science in Aviation Management from Metropolitan State College of Denver and a Master of Business Administration from Embry-Riddle Aeronautical University. She is accredited as an International Airport Professional through the Global ACI-ICAO Airport Management Professional Accreditation Program.

Patti Edwards, IAP, Director, Chief Operating Officer. Ms. Edwards is responsible for the day to day operations of the airport. This includes overseeing several areas responsible for maintenance, operations, security, parking, and information technology. In addition to working with departmental staff, she is the airport liaison with the TSA, CBP, Austin Police Department, and Austin Fire Department. She has been employed by the City's Aviation Department for over 20 years and has been in her current position since November 2005. Ms. Edwards has over 32 years of experience in Facilities and Project management. She is an active member of BOMA, IFMA Airport Council, ACI and AAAE and has earned the Airport Council International certification as an "International Airport Professional".

Jamy Kazanoff, Assistant Director, Aviation Business Development & Customer Relations. Ms. Kazanoff is responsible for air service development and community relations for ABIA. She oversees the areas of air service development and media relations and serves as the point of contact with many Austin-area business and community groups. She has been employed by the City's Aviation Department for 26 years. Ms. Kazanoff has over 30 years of marketing and business development experience, serving in account executive positions with advertising agencies in the private sector. She is actively involved in the Airports Council International (ACI) International Air Service Committee, serving as Chairwoman in 2016. She is also active in ACI's Marketing and Communications Program, Central Texas Regional Partnership, Austin Airport Task Force, and Austin Hospitality Council. She is a graduate of the University of Texas at Austin with a Bachelor of Journalism degree, Public Relations.

David Arthur, CPA, Assistant Director and Chief Financial Officer. Mr. Arthur is responsible for overall financial management of the Airport System, including financial accounting and reporting, day to day fiscal operations, budgeting, grants administration and airport rate setting. Before joining the City's Aviation Department in July 2009, he served the Houston Airport System in Financial and Management positions, most recently as Assistant Director, Finance and Budget. He is a graduate of Northwest Missouri State University and a Certified Public Accountant and has earned the Airport Council International certification as an "International Airport Professional".

Shane Harbinson, Assistant Director, Planning & Engineering. Mr. Harbinson is responsible for Airport Planning, Development and Environmental Services. Mr. Harbinson has served in airport positions at Minneapolis St. Paul International and Midland International in Midland, Texas before joining the City in 1999. Since coming to the City, he has served as Operations Coordinator, Noise Abatement Officer, Airport Planner, Manager of Airport Operations, Assistant Director of Operations and Security, and now Assistant Director of Planning & Engineering. He is a graduate of Saint Cloud State University, Saint Cloud, Minnesota, with a Bachelor of Science in Aviation. He is active in the American Association of Airport Executives and Airport's Council International.

Donnell January, Deputy Chief Operations Officer, Maintenance and Facilities. Mr. January is responsible for all Maintenance and Facility Services at ABIA. He oversees the areas of Airline Maintenance, Building Maintenance, Airside Maintenance, Landside Maintenance, Facility Services, Motor-pool and the Sign Shop. He joined the Department of Aviation in 2005, and has over 20 years of management experience. Since joining the Aviation Department, Mr. January has served as Division Manager implementing and maintaining the new in-line baggage handling system. Mr. January has a Bachelor of Science Degree from the College of Engineering Technology at Prairie View A&M University, Prairie View, Texas.

Ghizlane Badawi, Deputy Chief Operating Officer, Airport Operations. Mrs. Badawi is responsible for airport strategic planning, talent acquisition, performance management, business assurance, human resources and guest services. She has been employed by the City's Aviation Department for over ten years, serving as Internal Auditor, Business Process Consultant Senior, Chief Administrative Officer, Deputy Chief Operating Officer and now Assistant Director over Enterprise Business Services. Mrs. Badawi's previous work experience includes banking, insurance, auditing, consulting, information technology, sales, and customer service. She is an active member of the American Association of Airport Executives (AAAE), Airports Council International (ACI), Association of Airport Internal Auditors (AAIA), and Risk and Insurance Management Society (RIMS). She has a Bachelor of Business Administration Degree from Al Akhawayn University, Morocco and a Master of Business Administration Degree from Quinnipiac University, Hamden, Connecticut. She has earned Aviation Safety and Security Certification from the Viterbi School of Engineering, University of Southern California, is a Certified Internal Controls Auditor, and has earned RIMS certification as a Certified Risk Management Professional.

Susana Carbajal, Assistant Director, Support Services. Ms. Carbajal manages the airport's business development, tenant management, advertising and marketing, art and music, business assurance, administration, legal services, and governmental affairs. Prior to working at Austin-Bergstrom International Airport, Susana served as Chief Counsel for the 2008 Democratic National Convention. She began her legal career as an attorney at the law firm of Brown McCarroll, LLP (now Husch Blackwell, LLP) in Austin, Texas where she focused on corporate reorganization, bankruptcy, and commercial litigation. She served at The White House for President Bill Clinton in the Office of Presidential Personnel. Susana graduated magna cum laude from American University in Washington, D.C. and from The University of Texas School of Law.

Denise Hatch, Deputy Chief Operations Officers, Operations and Security. Ms. Hatch is responsible for airport operations, security and safety. She has been employed with the City of Austin Aviation Department for over 24 years serving in roles from Airport Police Chief, Security Manager to Airport Operations Chief. Ms. Hatch is an American Association of Airport Executives (AAAE) Airport Certified Employee. She proudly served in the Texas Army National Guard and was an adjunct faculty member at St. Edwards University for 8 years. She has a Bachelor's Degree in Criminal Justice from Southwest Texas State University and a Master's of Science in Criminal Justice Management from Sam Houston State University.

AIRPORT SERVICE REGION

Primary Service Region

The Airport's primary service region is the 4,220-square-mile, 5-county Austin-Round Rock Metropolitan Statistical Area (the "MSA"). According to the U.S. Department of Commerce, Bureau of the Census, the population of the MSA as of July 1, 2015 was 2,001,000, an increase of approximately 3.0% annually since July 1, 2010. The Airport is primarily an Origination and Destination ("O&D") airport; approximately 95% of enplaned passengers (passengers boarding) at the Airport originated their air travel at the Airport and approximately 5% connected between flights during the City's fiscal year 2018. Approximately 52% of enplaned passengers live in the Airport's primary service region, and approximately 48% are visiting the service area. In general, the population and economy of an airport's service region are the primary determinants of passenger and cargo traffic through an O&D airport.

Nearby Airports

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

AIRPORT ACTIVITY

Table 1 summarizes growth in the numbers of passenger enplanements at the Airport and the growth in enplanements per departures between the Airport's fiscal years 2009 and 2018. As shown in Table 1, passenger enplanements in fiscal year 2018 increased by 15.0% as compared to enplanements in 2017 and increased by approximately 8.9% in fiscal year 2017.

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

Fiscal Year	Enplaned Passengers	Annual Percent Increase (Decrease)	Aircraft Departures* — Passenger Departures Annual	Passenger Departures Daily	Cargo Departures Annual	Cargo Departures Daily	Passengers Enplaned per Departure
2009 (a)	4,150,710	(11.2)	47,020	129	3,400	9	82
2010 (a)	4,265,091	2.8	46,747	128	3,290	9	85
2011 (a)	4,529,342	6.2	48,401	133	3,293	9	88
2012	4,662,738	3.0	48,372	133	2,915	8	91
2013	4,928,979	5.7	50,554	139	2,841	8	92
2014	5,275,464	7.0	51,877	142	2,866	8	96
2015	5,792,387	9.8	55,557	152	2,875	8	99
2016	6,180,464	6.7	56,349	154	2,936	8	104
2017	6,729,108	8.9	58,503	160	3,065	8	109
2018	7,739,811	15.0	65,000	178	3,067	8	119

Source: City of Austin, Department of Aviation.

Note: Calculated percentages may not match those shown because of rounding.
(a) Includes through passengers.
*The format of the table has been changed from prior years to show the passenger and cargo aircraft departures separately.

Table 2 presents, as of February 28, 2019, the U.S. and foreign-flag airlines providing scheduled passenger service, charter passenger service and all-cargo service at the Airport.

Table 2
List of Airlines

Passenger Airlines	All-Cargo Airlines
Aerovias de Mexico	ABX Air
Air Canada	Air Transport International
Alaska Airlines	Baron Aviation
Allegiant Air	Federal Express
American Airlines	United Parcel Services
British Airways	
Delta Airlines	
Frontier	
JetBlue	
Miami Air	
Norwegian Air UK *	
Southwest Airlines	
Spirit Airlines	
Sun Country Airlines	
Swift Air	
United Airlines	
Vacation Express *	
VIA Airlines	

Source: City of Austin, Department of Aviation records.
*Seasonal service

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Table 3 presents the airlines' shares of enplaned passengers for fiscal years 2009-2018.

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

	Share of **enplaned** passengers									
Airline	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Southwest	38.1 %	36.8 %	36.7 %	37.8 %	39.0 %	38.1 %	36.6 %	38.4 %	37.7 %	35.7 %
American	22.5	21.1	20.6	20.2	18.9	18.1	17.3	20.5	19.3	17.9
United	1.7	0.9	1.2	1.8	4.9	16.5	16.8	15.7	16.1	15.2
Delta	6.4	10.4	11.4	11.8	12.1	12.2	12.1	12.0	12.5	13.2
Frontier	2.6	2.5	2.7	2.3	1.7	1.8	2.8	2.5	3.3	6.4
Jet Blue	5.0	6.0	6.0	6.2	6.4	5.6	4.8	4.5	4.4	3.8
Alaska Airlines	0.3	2.4	2.1	1.2	1.1	1.1	1.2	1.7	1.9	3.2
Allegiant Air	-	-	-	-	-	0.6	1.0	1.3	1.8	1.9
British Airways	-	-	-	-	-	0.7	1.0	1.0	0.9	1.0
Virgin America	-	-	-	-	0.3	0.9	1.8	1.6	1.2	0.3
Norwegian Air UK										0.3
Air Canada	-	-	-	-	-	-	0.1	0.3	0.3	0.3
Aero Mexico	-	-	-	-	-	-	-	-	0.2	0.3
Sun Country	-	-	-	-			-			0.1
Condor Airlines	-	-	-	-	-	-	-	0.1	0.1	0.1
VIA Airlines	-	-	-	-	-	-	-	-	0.0	0.1
Concesionaria Vuela Compania										0.1
Volaris	-	-	-	-	-	-	-	-	0.1	-
US Airways	0.7	0.1	-	0.1	1.2	4.4	4.5	0.3	-	-
Transportes Aeromar	-	-	-	-	-	0.1	-	0.0	-	-
Continental [(a)]	11.3	10.7	9.5	8.1	2.6	-	-	-	-	-
Mesa	5.5	5.3	-	-	-	-	-	-	-	-
Skywest	1.2	1.5	-	-	-	-	-	-	-	-
Branson Air Express	-	0.1	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Northwest	1.0	-	-	-	-	-	-	-	-	-
Pinnacle	0.3	-	-	-	-	-	-	-	-	-
	96.6 %	97.8 %	90.2 %	89.5 %	88.2 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0%
Commuters [(b)]	3.4	2.2	9.8	10.5	11.8	0.0	0.0	0.0	0.0	0.0
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

*Airlines enplaning less than 0.1% of passengers not listed.

(a) Continental merged with United during FY2013.

(b) Prior to FY2014, affiliates for Delta, United Airlines and US Airways were listed separately. Currently they are included with the mainline airlines.

Source: City of Austin, Department of Aviation records.

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Table 4 presents historical aircraft operations (landings and takeoffs) for fiscal years 2009 – 2018.

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

Fiscal Year	Air Carrier	Air Taxi/ Commuter	General Aviation	Military	Total	Annual Increase/ (Decrease)
2009	94,484	17,157	59,601	5,882	177,124	(18.7)%
2010	92,372	17,433	57,463	6,899	174,167	(1.7)%
2011	95,095	18,466	59,696	6,879	180,136	3.4%
2012	96,823	15,962	50,867	5,828	169,480	(5.9)%
2013	101,006	16,979	52,582	6,698	177,265	4.6%
2014	103,710	17,289	51,231	6,994	179,224	1.1%
2015	112,079	15,830	54,401	7,771	190,081	6.1%
2016	114,150	16,194	51,231	10,435	192,010	1.0%
2017	120,242	15,181	52,709	9,830	197,962	3.1%
2018	132,334	17,198	48,742	9,774	208,048	5.1%
	Average Annual Percent Increase (Decrease)					
2000-2003	(2.4)%	10.2%	2.5%	39.7%	2.2%	
2003-2008	2.8%	7.0%	(3.3)%	(18.0)%	0.0%	
2008-2009	(11.2)%	(44.3)%	(21.0)%	15.3%	(18.7)%	
2009-2016	2.7%	(0.8)%	(2.1)%	8.5%	1.2%	

Note: Calculated percentages may not match those shown because of rounding.
Source: City of Austin, Department of Aviation records.

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Table 5 presents historical aircraft landed weight (expressed in 1,000-pound units) for fiscal years 2009 – 2018. Landed weight, which is used to calculate landing fees, is recorded according to the aircraft's certificated maximum gross landing weight, as determined by the FAA. Changes in landed weight affect the landing fee rates but under the airline agreements described below, increased landed weight does not increase landing fee revenue to the Airport but instead reduces the landing fee rate for the airlines. See "AIRLINE REVENUES AND AGREEMENTS – Passenger and Cargo Airline Agreements" below in this document.

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

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Annual Increase/ (Decrease)
2009	5,192,934	439,566	5,632,500	(9.8)
2010	5,143,676	397,117	5,540,793	(1.6)
2011	5,353,345	405,953	5,759,298	3.9
2012	5,394,633	420,904	5,815,537	1.0
2013	5,688,131	434,382	6,122,513	5.3
2014	5,958,437	433,628	6,392,066	4.4
2015	6,598,882	491,756	7,090,637	10.9
2016	6,940,667	481,109	7,421,776	4.7
2017	7,573,274	542,980	8,116,254	9.4
2018	8,756,891	528,280	9,285,170	14.4

	Average Annual Percent Increase (Decrease)		
2000-2003	(2.7)%	(7.9)%	(3.5)%
2003-2008	3.5%	(4.8)%	2.5%
2008-2009	(8.8)%	(26.9)%	(10.6)%
2009-2016	4.1%	1.3%	3.9%

Note: Calculated percentages may not match those shown because of rounding.
Source: City of Austin, Department of Aviation records.

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AIRPORT REVENUES AND AGREEMENTS

As described below, in fiscal year 2018, approximately 46% of Airport revenues is derived from the Airport's agreements with the airlines for use by the airlines of the Airfield Area and for their use of exclusive, preferential and shared use space in the Terminal and aircraft loading positions on the Terminal apron. The Airfield Area, as defined in these agreements, includes the runways, taxiways and facilities at the Airport for the purpose of controlling and assisting arrivals, departures and operations of aircraft using the Airport. In general, rate-setting at the Airport for use of the airfield area is "residual" (the airlines have primary responsibility and risk for costs (including allocated debt service and coverage) and expenses and the benefit from non-airline revenues attributed to the Airfield). The Terminal and other non-Airfield parts of the Airport are "compensatory" (the City has the responsibility and risk) in connection with revenues and costs and expenses.

Passenger and Cargo Airline Agreements

The signatory airlines, accounting for approximately 86% of enplaned passengers at the Airport in fiscal year 2018 (the "Signatory Airlines"), are parties to Use and Lease Agreements with the City (the "Signatory Airline Agreements") that have continued month-to-month since their scheduled expiration date of September 30, 2014.

Five of the Signatory Airlines (American Airlines, Inc., Delta Airlines, Southwest Airlines, JetBlue, and United Airlines) executed an amendment to their Signatory Airline Agreement that extends the term for one year after the date of beneficial occupancy of the Airport Terminal Gate and Apron Expansion Project expected to occur on October 1, 2019, clarifies the landing fee billing process to complement the Airports third-party landing fee management program and updates the minimum gate usage requirement (seven departures or 800 seats) for Preferential Use of a gate per day (up from five departures per day). The Airport and Signatory Airlines have commenced discussions regarding an extension of the Signatory Airline Agreements.

All-cargo carriers and other passenger airlines that serve the Airport ("Non-Signatory Airlines") operate under Airline Use and Operating Agreements (the "Operating Agreements") that, with scheduled service, provide for use of the Airfield Area and the Terminal at the same rates as in the Signatory Airline Agreements. An airline without a Signatory Airline Agreement or Operating Agreement that lands at the Airport is charged a premium landing fee of twice the agreement rate.

Landing Fees

Landing fees for use of the Airfield Area are payable monthly and are calculated by multiplying the then-current landing fee rate by the total number of thousand pound units of the maximum gross landing weight of the Airline's aircraft making fee landings at the Airport during the prior month. Landing fee rates are to be calculated (A) by adding (i) direct and indirect operations and maintenance costs allocable to the Airfield Area; (ii) annual amortization charges attributed to the Airfield Area; (iii) debt service attributed to the Airfield Area on Revenue Bonds (net of PFCs) and on City general obligation bonds issued for the Airport, and 25% coverage of Revenue Bonds attributed to the Airfield Area; and (iv) the Airfield Area's prorated share of any fund deposits required by the Revenue Bond Ordinances; and (B) by subtracting fuel flowage fees paid separately by the airlines. The total requirement for the Airfield Area is then divided by the total of the Signatory Airlines' and Non-Signatory Airlines' forecast landed weights. The agreements with the airlines provide for a year-end adjustment to landing fee charges to take into account actual total landed weight, including non-signatory carriers' actual landed weight).

Airline Terminal Rent and Other Charges

Terminal rents, aircraft parking fees and other charges for exclusive, preferential and shared use of the Terminal and the Terminal apron and use of the CBP facility are calculated to take into account capital, operating, operating reserve and debt service (net of PFCs), debt service coverage and amortization costs allocated to the airline cost center and to Airline use. In addition to space rentals and apron parking fees, airline Terminal fees and charges include fees to cover attributed operating expenses and reserves for gate loading bridges and baggage makeup equipment.

Terminal Concession and Other Non-Airline Business Agreements

Non-airline Terminal revenue, parking and ground transportation revenue and other non-airline space and use leases and concession revenues at the Airport represented approximately 54% of the Airport's operating revenue in fiscal year 2018.

Terminal Concession Agreements

The City has concession lease agreements with non-airline entities that operate, provide services or occupy space in the Terminal. The City has entered into new concession agreements, including agreements with prime concessionaires, with 10-year terms that began on December 1, 2017 and are scheduled to end on November 30, 2027. The interim and the new concession agreements provide for the payment of rent and for payment of concession fees equal to the greater of (1) the minimum annual guaranteed ("MAG") concession fee (generally, 85% of the prior year's annual percentage concession fee or the prior year's MAG concession fee) or (2) specified percentage concession fees that range from 16% to 20.5% of annual gross receipts (net of taxes and other items) from sales of different categories of products.

Garage and Parking Agreements

The City receives revenue from approximately 20,000 public parking spaces, consisting of parking spaces in Garage 1, the Blue Garage and surface lots, at the Airport and also privilege fees from operators of approximately 6,400 off-Airport parking spaces. Two levels of the newly constructed Blue Garage are currently open. The Blue Garage is expected to be substantially complete and operational in June 2019. The Terminal parking garage and surface parking lots and the valet and shuttle services are managed by SP Plus Corporation pursuant to a five-year management contract that began in October 2016. Under the management contract, the operator is reimbursed for out-of-pocket expenses and receives a management fee. As noted below in Table 7, parking revenue is the largest component of the Airport's non-airline revenues.

The Master Plan calls for a passenger processing facility in the current location of Garage 1, which is expected to be closed for public parking in or around fiscal year 2022.

In addition to the parking garage and lots managed for the City by SP Plus Corporation, the City and Scott Airport Parking LLC entered into a 30-year public-private partnership arrangement for a multi-phased parking lot and pet hotel with a total of approximately 2,100 spaces on 64 acres of Airport property. That arrangement requires the developer to pay percentage rent of between 1% and 10% of parking revenue and the greater of a MAG or 1% to 10% of pet hotel gross revenues. The parking and pet hotel facility opened in May 2017, and the City received initial revenue in fiscal year 2018.

Rental Car Company Agreements

The City has concession agreements with each of the 12 on-site Airport car rental companies that operate at the consolidated rental car facility (the "CONRAC"), and each of those 12 companies is also a subtenant under the City's master lease agreement with Austin CONRAC LLC. In addition to responsibilities related to the City's Special Obligation Bonds for the CONRAC facilities, the concession agreements provide for payments by the rental car companies to the City of privilege fees in the amount of 10% of the rental car company's gross receipts as defined in the concession agreement (or if greater, a MAG amount equal to 85% of the concession fee due for the immediately preceding concession agreement year) for the privilege of operating at the Airport and also require payments of ground rental fees for storage and maintenance facilities.

As described above, the rental car companies also agree to collect CFCs from all rental car customers, and to hold in trust and pay the CFCs to the trustee for the Special Obligation Bonds and to make lease and other payments in connection with the Master Lease and financing of the Special Obligation Bonds.

On February 7, 2019, a concessionaire and lessee at the Austin CONRAC facility at ABIA filed for Chapter 11 bankruptcy protection. Clearwater Transportation, LTD., operates the Dollar Car Rental and Thrifty Car Rental franchises at ABIA. The City is listed as a creditor and is pursuing funds owed to the City by Clearwater. At this time, the City estimates its pre-petition claim to be approximately $1.7 million in fees and car rental taxes of which approximately $500,000 is attributable to ABIA. The Debtor is working on paying post-petition obligations timely. The automatic stay prevents the City from terminating the contract and lease at this time, but the City is actively pursuing its remedies in bankruptcy court. The failure to receive the fees and car rental taxes addressed in the pre-petition claim by the City does not impact the City's ability to repay obligations payable from either the fees or car rental taxes pledged to their payment. The City also collects privilege fees from off-Airport rental car companies in the amount of 8% of certain of the companies' gross receipts.

Ground Transportation

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

General Aviation Agreements

The City has entered into 30-year leases with two fixed-base operators ("FBOs") for the operation and management of general aviation hangar facilities and taxiways at the Airport. A third FBO is currently under construction. The City receives ground rent, which may be increased annually if the CPI increases, and also a fee for each gallon of fuel delivered to the FBO facility ("fuel flowage fees").

South Terminal Arrangements

In March 2016, the City entered into a 30-year Lease and Concession Agreement (the "South Terminal Agreement") with the parent company of LoneStar Airport Holdings LLC (the "Concessionaire") to outsource the rehabilitation, development and operation of the South Terminal as a Limited Service Terminal, a terminal that is constructed and operated with fewer operational amenities (such as gates without passenger loading ridges) and that will support a lower cost structure. The South Terminal opened in April 2017.

In addition to completing and operating the South Terminal, the Concessionaire has agreed to pay to the City rent equal to the greater of (1) $300,000 per year, increased by any increases in the CPI ("fixed rent") or (2) variable rent equal to a percentage of annual lease year gross revenues, as defined in the South Terminal Agreement, based upon the number of originating enplaned passengers enplaning at the South Terminal during the lease year. The percentage for the calculation of variable rent ranges from 0% of gross revenue for 0-399,000 enplaned passengers to 20% of gross revenue for more than 1,299,999 enplaned passengers.

The South Terminal Agreement requires the Concessionaire to prepare an FAA-compliant leasing program and permits the Concessionaire to determine and to charge various fees to air carriers using the South Terminal and for aircraft parking, to provide fee incentives and in lieu of permitting rental car companies to enter into separate agreements with the Concessionaire, provides for City to share rental car revenue (not including CFCs) based upon the number of enplaned passengers at the South Terminal. The revenue sharing amounts (which are to be treated as "gross revenue" when calculating variable rent) are to be payable monthly.

Frontier Airlines and Allegiant Air have relocated from the Barbara Jordan Terminal to the South Terminal, freeing up gate space while allowing the two carriers to reduce their operating costs and potentially increase services at the Airport. Presently, these three air carriers operate approximately 56 weekly departures.

HISTORICAL FINANCIAL DATA

The City, as operator of the Airport System, currently accounts for its activities according to generally accepted accounting principles through an enterprise fund. Table 6 represents the historical operating results of the Airport enterprise fund for fiscal years 2014 through 2018 based on the audited financial statements of the City, as reported on by the City's certified public accountants. The City's audited financial statements for the fiscal year ended September 30, 2018 are included as APPENDIX B in this document.

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

	2014	2015	2016	2017	2018
Revenue					
User fees and rental	$ 108,960	$ 119,969	$ 135,765	$ 149,333	$ 167,284
Operating revenues	108,960	119,969	135,765	149,333	167,284
Expenses					
Operating expenses before depreciation	76,042	80,182	88,257	102,885	118,126
Depreciation and amortization	21,151	20,690	28,092	26,667	33,723
Total operating expenses	97,193	100,872	116,349	129,552	151,849
Operating income before nonoperating revenues (expenses) and operating transfers	11,767	19,097	19,416	19,781	15,435
Nonoperating revenues (expenses)					
Interest and other revenues	221	1,225	1,891	3,907	7,542
Interest on revenue bonds and other debt	(11,794)	(18,924)	(21,161)	(30,058)	(33,318)
Interest capitalized during construction	1,409	1,284	1,282	1,893	-
Passenger facility charges	19,806	22,384	24,101	29,100	30,142
Cost (recovered) to be recovered in future years	-	-	-	-	-
Other nonoperating expenses	(312)	(686)	535	(1,859)	(375)
Total nonoperating revenues (expenses)	9,330	5,283	6,648	2,983	3,991
Income (loss) before contributions and transfers	21,097	24,380	26,064	22,764	19,426
Capital contributions	4,808	8,405	3,018	14,751	7,593
Transfers in	3	-	5	-	-
Transfers out	(793)	(52)	(442)	(33)	(182)
Change in net position	25,115	32,733	28,645	37,482	26,837
Total net position, beginning	512,535	517,020 (1)	549,753	578,398	575,280 (1)
Total net position, ending	$ 537,650	$ 549,753	$ 578,398	$ 615,880	$ 602,117

(1) As restated. See Note 18 in the 2018 Financial Statements.

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The information in the following table was derived from financial information maintained by the City's Department of Aviation, which was prepared according to generally accepted accounting principles. Table 7 presents the Airport revenue detail for fiscal years 2014 through 2018. The City's audited financial statements for the fiscal year ended September 30, 2018 are included as APPENDIX B in this document.

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

	2014	2015	2016	2017	2018
Airline Revenue					
Landing Fees	$20,852	$22,720	$23,699	$27,301	$28,302
Terminal Rental & Other Fees	23,424	26,906	29,986	34,628	43,640
Total Airline Revenue	$44,276	$49,626	$53,685	$61,929	$71,942
Non-Airline Revenue					
Parking	$33,723	$36,586	$39,382	$40,542	$40,092
Other Concessions	22,082	24,736	26,349	28,175	32,044
Other Rentals and Fees	8,879	9,020	16,349	18,687	23,206
Total Non-Airline Revenue	$64,684	$70,343	$82,080	$87,404	$95,342
Total Revenue	$108,960	$119,969	$135,765	$149,333	$167,284

Source: City of Austin, Department of Aviation

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The information set forth in Table 8 was derived from financial information maintained by the City. The following table presents the historical debt service coverage information for the Outstanding Revenue Bonds for fiscal years 2014 through 2018. The amounts shown in Table 8 were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, "Gross Revenues," "Operation and Maintenance Expenses," "Administrative Expenses" and certain other amounts specified therein are not measured according to generally accepted accounting principles for purposes of the rate covenant and other provisions of the Ordinances and the Revenue Bond Ordinances. See the definitions of such terms in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" in this document.

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

	2014	2015	2016	2017	2018
Gross Revenues	$ 109,263	$ 120,780	$ 137,826	$ 154,570	$ 176,235
Other Available Funds [(1)]	3,620	3,551	3,700	4,830	5,469
Funds Available to Pay Debt Service	$ 112,883	$ 124,331	$ 141,526	$ 159,400	$ 181,704
Operating Expenses [(2)]	(73,822)	(76,995)	(82,330)	(94,139)	(108,045)
Net Available Revenue	$ 39,061	$ 47,336	$ 59,196	$ 65,261	$ 73,659
Debt Service [(3)]	$ 14,480	$ 14,205	$ 14,800	$ 19,319	$ 21,875
Coverage	2.70	3.33	4.00	3.38	3.37

(1) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year.

(2) Amounts shown include "Operation and Maintenance Expenses" and "Administrative Expenses" (as such terms are defined in the Ordinances and the Revenue Bond Ordinances), and exclude depreciation and other unfunded postemployment benefits and pension obligation accruals. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, and Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds.

(3) Amounts are net of PFCs used to pay debt service. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" in this document.

Source: The City of Austin.

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Historical Debt Service Coverage Information Contained in Audited Financial Statements

As described above, the amounts shown in Table 8 were determined in conformity with the requirements of the Ordinances and the Revenue Bond Ordinances. The debt service coverage reported in Note 6.c. on page 79 and in Table 17 of the statistical section of the audited financial statements include Other Available Funds as being 25% of the net debt service on the Revenue Bonds, after deducting the amount of PFCs used to pay debt service. Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, for purposes of showing compliance with the rate covenant and meeting the conditions for the issuance of Additional Revenue Bonds, transfers of Other Available Funds to the Revenue Fund at the beginning of any Fiscal Year may not exceed 25% of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year. See the definition of "Other Available Funds" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES" and "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" in this document.

Also see "APPENDIX B – AUDITED FINANCIAL STATEMENTS" in this document.

AIRLINE INFORMATION

Revenues of the Airport System may be affected by the ability of the airlines operating at ABIA, individually and collectively, to meet their respective obligations. Many of the airlines that serve the Airport (or their respective parent corporations) are subject to the information reporting requirements of the United States Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (the "SEC"). Certain information, including financial information, as of particular dates concerning each of the airlines operating at ABIA (or their respective parent corporations) is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20659, and at the SEC's regional offices at 219 South Dearborn Street, Chicago, Illinois 60604; 26 Federal Plaza, New York, New York 10278; and 5757 Wilshire Boulevard, Suite 500 East, Los Angeles, California 90036-3648 and copies of such reports and statements can be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each airline operating at ABIA is required to file periodic reports of financial and operating statistics with the United States Department of Transportation (the "U.S. DOT"). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. DOT at prescribed rates.

REGULATION

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

Rates and Charges and Revenue Use; Federal Statutes

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

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

Passenger Facility Charges

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

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

Federal and State Noise Regulation

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

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

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

CAPITAL IMPROVEMENT PROGRAM

The City continually develops and monitors a list of capital projects and assesses the timing of implementing these projects based on funding availability and needs. These projects comprise the Airport's Capital Improvement Program ("CIP") for the period ending fiscal year 2028 and are expected to cost between $2.8 billion and $3.3 billion. Included in that total are projects that are anticipated to be funded, all or in part, by Additional Revenue Bonds and/or Subordinate Obligations anticipated to be issued in 2021 in the approximate aggregate principal amount of $368 million. Certain of the federal grants and PFCs described in the table below either have not been applied for or the application for such sources is pending. See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of Funding for the Capital Improvement Program" in this document. The City is developing a funding program for the CIP that may include the issuance of Additional Revenue Bonds.

Passenger Facility Charges

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was imposed at $3.00 in August 1995 and increased to $4.50 (the maximum allowable under current law) in April 2004. The cumulative amount of PFC approvals received by the City is $831,089,379. Through December 31, 2018, cumulative PFC revenues, including investment earnings, totaled $378,819,257. Under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of November 2034**.** The City has applied PFCs toward project costs on a pay-as-you-go basis and has set aside and applied PFCs toward the following year's PFC-eligible Airport System Revenue Bond debt service, up to the maximum eligible amount. The City intends to continue such application of PFC revenues in accordance with the covenant of the City contained in the Ordinances. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" and "REGULATION – Passenger Facility Charges" in this document. Provided below is a table showing the City's PFC revenues, including investment earnings, and the amount set aside for debt service on Revenue Bonds in fiscal years 2012-2018 for the payment of debt service due on Revenue Bonds during the next succeeding fiscal year.

Table 9
PFC Detail by Fiscal Year

Fiscal Year	PFC Revenues	Amount Set Aside and Applied Toward Debt Service [(1)]
2012	$18,494,930	$ 11,032,005
2013	19,581,247	11,135,562
2014	19,855,510	11,082,223
2015	22,487,714	12,154,525
2016	24,399,643	11,915,324
2017	29,716,478	10,596,707
2018	31,499,634	18,577,353

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

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

See "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval" in this document.

The City intends to request approval from the FAA to use PFCs to pay a portion of the debt service on the Bonds. If approval is requested and received, the City intends to set aside PFCs to pay PFC-eligible debt service on the

Bonds in accordance with the covenant of the City contained in the Ordinances. See "SEUCRITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS – Availability of PFCs and PFC Approval" in this document.

REPORT OF THE AIRPORT CONSULTANT

APPENDIX A, which is part of this Official Statement, contains the Report prepared by the Airport Consultant (the "Report"). The Report provides information regarding the Airport System, the 2019 Projects, historical and forecast air traffic activity for the 2019-2025 fiscal year period, historical financial information and forecasts of financial results for the Airport System for the forecast period. As noted in the Report, the forecasts were based upon information and assumptions provided by or reviewed with and agreed to by Airport management and reflect Airport management's expected course of action during the forecast period and in Airport management's judgment, present fairly the expected financial results of the Airport. The key factors and assumptions that are significant to the forecasts are set forth in the Report.

The Report should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts. As noted in the Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. See "CERTAIN INVESTMENT CONSIDERATIONS – Forward-Looking Statements" and "-Assumptions in the Airport Consultant's Report" in this document.

The following table provides the debt service coverage estimates and projections from the Report. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Financial Analysis – Exhibit G" in this document. Such table is qualified in its entirety by reference to the complete copy of the Report attached as APPENDIX A to this document. The information set forth in the following table was calculated in the same manner as the historical debt service coverage information set forth in Table 8 (prepared by the City) above in this document.

Debt Service Coverage Estimates and Projections from the Report(1)

	Budgeted	Forecast					
	FY 2019	FY 2020	FY2021	FY 2022	FY 2023	FY 2024	FY 2025
Gross Revenues	$ 184,157	$ 191,496	$ 197,048	$ 209,273	$ 223,049	$ 236,468	$ 243,710
Less: Operation and Maintenance Expenses	(120,532)	(129,586)	(134,617)	(140,930)	(146,335)	(151,915)	(157,947)
Net Revenues	$ 63,625	$ 61,910	$ 62,430	$ 68,343	$ 76,714	$ 84,553	$ 85,762
Other Available Funds(2)	9,841	9,635	9,666	11,533	14,702	17,295	17,273
Net Revenues plus Other Available Funds	$ 73,466	$ 71,545	$ 72,096	$ 79,876	$ 91,416	$ 101,848	$ 103,035
Less: Administrative Expenses(3)	(659)	-	-	-	-	-	-
Subtotal	$ 72,807	$ 71,545	$ 72,096	$ 79,876	$ 91,416	$ 101,848	$ 103,035
Revenue Bond Debt Service Requirements(4)	$ 39,364	$ 38,538	$ 38,664	$ 46,132	$ 58,808	$ 69,180	$ 69,090
Debt service coverage	1.85	1.86	1.86	1.73	1.55	1.47	1.49
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Source: Report of the Airport Consultant

(1) Amounts shown for Fiscal Year 2019 are estimates, and amounts for fiscal years 2020 through 2025 are forecasts.

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

(3) Pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, moneys on deposit in the Revenue Fund are used to pay Debt Service on Revenue Bonds (including the Bonds) and any related Credit Agreement Obligations, prior to being used to pay Administrative Expenses. Further, pursuant to the terms of the Ordinances and the Revenue Bond Ordinances, Administrative Expenses are included in the coverage calculations for the purpose of determining compliance with the City's rate covenant, but Administrative Expenses are not included in the coverage calculations for the purpose of issuing Additional Revenue Bonds. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Flow of Funds," "– Rate Covenant" and "– Additional Revenue Bonds" in this document. In addition, amounts shown are net of PFCs used to pay Administrative Expenses.

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

CERTAIN INVESTMENT CONSIDERATIONS

General

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

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

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

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

Limited Obligations

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

No Acceleration

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

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

Factors Affecting the Airline Industry

General

Key factors that affect airline traffic at the Airport and the financial condition of the airlines and, therefore, the amount of Net Revenues available for payment of the Revenue Bonds (including the Bonds), include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation safety and security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of ABIA; competition from neighboring airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Other business decisions by airlines, such as the reduction or elimination of service to unprofitable markets, could affect airline operations in the future.

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

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

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. Between 2008 and 2009, the U.S. economy experienced a recession, which was followed by weak economic growth. While the economy has recovered since 2009, any substantial deterioration in the level of regional or national economic activity in the future could have an adverse impact on the air transportation industry.

Airline Concentration; Effect of Airline Industry Consolidation

The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airline mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated air carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and began operating as a single airline (under the Southwest brand) in March 2012; and (d) effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. The American Airlines and US Airways merger was completed in October 2015. As of the date of this Official Statement, none of these mergers have had any material impact on airline service or enplanements at ABIA. On December 14, 2016, Alaska Air Group, parent of Alaska Airlines, acquired Virgin American Airlines and began operating under one certificate on January 11, 2018. While prior mergers have not had any material impact on airline service and enplanements at the Airport or on Gross Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Gross Revenues, reduced PFC collections and/or increased costs for the other airlines serving ABIA.

International Conflict and the Threat of Terrorism

The City cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the City or the airlines operating at the Airport from such incidents or disruptions.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of fully transparent price information on the internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

Effect of Airline Bankruptcies

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

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

Airline Leases and Executory Contracts

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

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

Financing Leases and Other Financing Contracts

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

Automatic Stay, Preference Claims and PFC Issues

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

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

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

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

Effect of Other Tenant or Concessionaire Bankruptcies

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

Effect of a City Bankruptcy

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

Aviation Security and Health Safety Concerns

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

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high profile disappearance of Malaysia Airlines Flight 370 and the crash of Malaysia Airlines Flight 17. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

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

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, while the United States Centers for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. More recently, the CDC issued travel alerts in 2016 warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which has been linked to birth defects, were occurring. The lists of such areas includes more than 50 countries and certain locations in Miami, Florida. While the Airport is not in an area of concern identified by the CDC, further spread of the virus could impact the Airport by reducing travel to affected regions. This disease or future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport. The City is unable to predict how serious the impact of the Zika virus or future pandemic may become, what effect it may have on air travel to and from the Airport, and whether any such affects will be material.

Delays and Cost Increases; Additional Indebtedness

The estimated costs of and schedules for capital improvement projects at the Airport including projects under consideration for financing in 2019, are subject to a number of uncertainties. The City's ability to complete projects may be adversely affected by a number of factors, including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, earthquakes or other casualty events, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental and/or permitting issues. No assurance can be given that the projects will not cost more than the current budgets for these projects. The City expects to fund its other project costs with a combination of PFCs, available Net Revenues, and proceeds from the sale of Additional Revenue Bonds, federal grants and investment income. In the event one or more of these funding sources is not available to the City in the amount or on the schedule contemplated by the City, the implementation of some of the projects may be delayed. Any schedule delays or cost increases could result in the need to issue Additional Revenue Bonds or other obligations and may result in increased costs that cannot be recovered from the airlines.

Regulations and Restrictions Affecting the Airport

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

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

Ability to Meet Rate Covenant

As described in "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant" in this document, the City has covenanted in the Ordinances that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the rate covenant set forth in the Ordinances is met. In addition to Net Revenues, the City expects to use approximately $19.3 million to $34.8 million of PFCs in each of the Fiscal Years between 2019 through 2025, to pay a portion (approximately 34.3% - 35.0%) of the Debt Service on the Revenue Bonds. If PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds, the principal and/or interest on such Revenue Bonds is excluded from the calculation of Debt Service Requirements; thus decreasing Debt Service Requirements and increasing debt service coverage for purposes of the rate covenant under the Ordinances. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" and " CERTAIN INVESTMENT CONSIDERATIONS - Availability of PFCs and PFC Approval" in this document.

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

Increasing the schedule of rentals, rates, fees and other charges for the use of the Airport System and for services rendered by the City in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see "—Regulations and Restrictions Affecting the Airport" above in this document). Implementation of an increase in the schedule of rentals, rates, fees and other charges for the use of the Airport System could have a detrimental impact on the operation of the Airport System by making the cost of operating at the Airport System unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport System.

Notwithstanding this potential detrimental impact, the Signatory Airline Agreements acknowledge the existence of the rate covenant under the Ordinances and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges.

Availability of PFCs and PFC Approval

In addition to the use of Net Revenues, the City expects to use between $19.3 million and $34.8 million of PFCs each fiscal year between fiscal years 2019 and 2025, to pay a portion of the debt service on the Revenue Bonds (including the Bonds). See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Use of Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS - Ability to Meet Rate Covenant" in this document. See "CAPITAL IMPROVEMENT PROGRAM" in this document.

The proceeds of the PFCs are not part of the Net Revenues pledged by the City to the payment of Revenue Bonds, including the Bonds. Pursuant to the terms of the Ordinances, PFCs are expressly excluded from the definition of "Gross Revenues". Consistent with the definition of "Debt Service Requirements" in the Ordinances, debt service on Revenue Bonds for which PFCs have been appropriated and deposited into a dedicated fund or account, the proceeds of which are required to be transferred into the Debt Service Fund or directly to the Paying Agent/Registrar for such Revenue Bonds, is excluded from the calculation of Debt Service Requirements. See "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS – Rate Covenant" and "– Additional Revenue Bonds" in this document and the definition of "Debt Service Requirements" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions" in this document. As described in "CAPITAL IMPROVEMENT PROGRAM – Passenger Facility Charges" in this document, under FAA approvals received to date, the City is authorized to impose the PFC through an estimated date of November 2034.

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

Availability of Funding for the Capital Improvement Program

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

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

Federal Funding Considerations

The City depends upon federal funding for the Airport not only in connection with grants and PFC authorizations but also because it is federal funding that provides for TSA, air traffic control and other FAA staffing and facilities. On October 3, 2018, the U.S. Senate passed a five year reauthorization bill for the FAA — the FAA Reauthorization Act of 2018 — which was signed into law by the President on October 5, 2018. The 2018 FAA reauthorization retains the federal cap on PFCs at $4.50 and authorizes $3.35 billion per year for the FAA's Airport Improvement Program ("AIP") through federal fiscal year 2023, which is the same funding level as was in place for the preceding five years. The AIP provides federal capital grants to support airport infrastructure through entitlement grants, which are determined by formulas based on passenger, cargo and general aviation activity levels, and discretionary grants, allocated on the basis of specific set-asides and the national priority ranking system. Federal funding also is impacted by sequestration under the federal Budget Control Act of 2011. Except to the extent changed by Congress from time to time, sequestration is a multi-year process and could continue to affect FAA, TSA and Customs and Border Control budgets and staffing, which results in staffing shortages and furloughs and traffic delays at the Airport and also nationwide. Some of the TSA funding shortages are being addressed by increasing the amount (and removing the cap) on the security fees on tickets, but such fees have been controversial and no assurance can be given that such fees will be sufficient or that the increased ticket costs will not result in lower passenger enplanements. Further, there can be no assurance that future reauthorization legislation will be enacted before the current authorization terminates at the end of federal fiscal year 2023. Failure to approve such legislation could have a material, adverse impact on operations at airports in the United States, including the Airport System.

Forward-Looking Statements

This Official Statement, including the Appendices and the documents incorporated by reference herein, contain "forward-looking statements," which generally can be identified with words or phrases such as "anticipates," believes," "could," "estimates," "expects," "foresees," "may," "plan," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement, including the Appendices hereto, that any person expects or anticipates will, should or may occur in the future, including but no limited to, the projections in the Airport Consultant's Report, are forward-looking statements. These statements are based on assumptions and analysis made by the City and the Airport Consultant, as applicable, in light of their experience and perception of historical trends, current conditions and expected future developments as well as other factors they believe are appropriate in the circumstances. However, whether actual results and developments will conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "CERTAIN INVESTMENT CONSIDERATIONS" in this document as well as additional factors beyond the City's control. The risk factors and assumptions described under such caption and elsewhere in this Official Statement could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement and any Appendices hereto are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Net Revenues or the operations of ABIA. All subsequent forward-looking statements attributable to the City or persons acting on its behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City does not assume any obligation to update any such forward-looking statements.

The forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The City's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The City's independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the City's independent auditors assume no responsibility for its content.

Assumptions in the Airport Consultant's Report

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

LITIGATION

A number of claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City Attorney and the City Management are of the opinion that resolution of the claims pending will not have a material effect on the City's financial condition.

CONTINUING DISCLOSURE OF INFORMATION

The Ordinances include the following agreement by the City for the benefit of the Owners and beneficial owners of the Bonds. The Ordinances require the City to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds. The City agrees in the Ordinances to give notices of any Bond calls and any defeasance that cause the City to be no longer an "obligated person." Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

In the Ordinances, the City agrees to provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes (i) the portions of the financial statements of the City in APPENDIX B in this document and (ii) all quantitative financial information and operating data with respect to the City of the general type included in the main text of this Official Statement within the various tables (numbered 1 through 9). The City agrees to update and provide this financial and operating data as of the end of each Fiscal Year ending in or after 2019 within six months after the end of each Fiscal Year, and the financial statements within 12 months after the end of each Fiscal Year. The City is to provide the updated information to the MSRB through its Electronic Municipal Market Access ("EMMA") information system.

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

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

Disclosure Event Notices

The City agrees to notify the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4)

unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material, (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Ordinances.

As used in the preceding paragraph, the terms "Business Day" and "Financial Obligation" are defined in the Ordinances. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES – Selected Definitions." As used in clause (12) above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and official or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The Ordinances further provide that the City intends the words used in clauses (15) and (16) above and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. In the Ordinances, the City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

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

Compliance with Prior Undertakings

With respect to the City's continuing disclosure agreement regarding the Rental Car Special Facility Revenue Bonds, the City failed to file rating upgrades from Moody's and Fitch within the ten day window which started on July 10, 2015 and August 17, 2016, respectively. The City filed the event notices with respect to the ratings upgrade on December 14, 2016. The failure to file the ratings upgrade in a timely manner was also filed on the same date. With respect to the continuing disclosure agreement entered into by ABLE, with respect to its Series 1999A & 1999B Bonds, ABLE did not file its financial statements by the June 30 deadline for Fiscal Year December 31, 2015. The financial statements were filed on July 19, 2016 and the failure to file notice was posted on September 1, 2017. The referenced ABLE bonds are no longer outstanding. With respect to the City's continuing disclosure reports regarding its outstanding Airport System Revenue Bonds, the City determined that a table had transposed years in the presentation of data in such report that was filed in 2015, and the City filed corrected information for such table on May 8, 2015. With respect to the City's continuing disclosure reports regarding its outstanding Combined Utility Revenue Bonds, Water and Wastewater System Revenue Bonds, and Electric Utility System Revenue Bonds, on April 25, 2016, the City filed updated financial information and operating data to reflect audited financial information as well as updated information in the "Comparative Analysis of Electric Utility System and Water and Wastewater System Operations," "Operating Statement Electric Utility System and Water and Wastewater System" and "The Electric Utility System and Water and Wastewater System (Plant Cost and Equity in Utility Systems)" tables previously filed. On February 3, 2017, the City filed a ratings upgrade notice for the Prior First-Lien Combined Electric, Water and Wastewater Revenue Bonds, which took place on July 1, 2015. The failure to file the ratings upgrade in a timely manner was also filed on the same date. On June 30, 2017, the City filed updated financial information and operating data to reflect Fiscal Year 2016 information on the first page of the "Water Service Rates" table. The City has implemented procedures to ensure timely filing of all future financial information and event notices and will continue to provide updates to the financial information and operating data as changes occur.

TAX MATTERS

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

Tax Exemption – 2019A Bonds

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the 2019A Bonds is excludable from gross income for federal income tax purposes and (ii) the 2019A Bonds are not "private activity bonds" under the Code, and, as such, interest on the 2019A Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2019A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance authorizing the 2019A Bonds (the "2019A Ordinance") that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the 2019A Ordinance pertaining to those sections of the Code that affect the excludability of interest on the 2019A Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the 2019A Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2019A Bonds could become includable in gross income from the date of delivery of the 2019A Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the 2019A Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the 2019A Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the 2019A Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the 2019A Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the 2019A Bonds could adversely affect the value and liquidity of the 2019A Bonds regardless of the ultimate outcome of the audit.

Tax Exemption – 2019B Bonds

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the 2019B Bonds is excludable from gross income for federal income tax purposes, except for any period during which a Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the 2019B Bonds or a "related person" to such a "substantial user," each within the meaning of section 147(a) of the Code and (ii) interest on the 2019B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2019B Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Service. The City has covenanted in the Ordinance authorizing the 2019B Bonds (the "2019B Ordinance") that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the 2019B Ordinance pertaining to those sections of the Code that affect the excludability of interest on the 2019B Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the 2019B Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2019B Bonds could become includable in gross income from the date of delivery of the 2019B Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. Generally, the alternative minimum taxable income of an individual will include items of tax preference under the Code, such as the amount of interest received on "private activity bonds" issued after August 7, 1986. Accordingly, Bond Counsel's opinion will state that interest on the 2019B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the 2019B Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the 2019B Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the 2019B Bonds from gross income for federal income tax purposes.

Each prospective purchaser should consult its own tax advisor as to the tax consequences from the receipt or accrual of interest on, the acquisition, ownership and disposition of the 2019B Bonds, including but not limited to the matters generally described in this "TAX MATTERS" section.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the 2019B Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the 2019B Bonds could adversely affect the value and liquidity of the 2019B Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

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

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions in this document regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption – 2019A Bonds", "– Tax Exemption – 2019B Bonds," and "– Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Legislative Changes

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

INVESTMENTS

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

Legal Investments

Under State law, the City is authorized to invest in:

(1) obligations of the United States or its agencies and instrumentalities, including letters of credit;
(2) direct obligations of the State of Texas or its agencies and instrumentalities;
(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
(4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States;
(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent;
(6) bonds issued, assumed or guaranteed by the State of Israel;
(7) interest-bearing banking deposits that are guaranteed insured by the FDIC or the National Credit Union Share Insurance Fund ("NCUSIF") or their respective successors;
(8) interest-bearing banking deposits other than those described by subdivision (7) if the funds invested in the banking deposits are invested through (a) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this state that the investing entity selects; (ii) the broker or depository institution selected as described above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account (a) the depository institution selected as described above; (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3);
(9) certificates of deposit meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by a combination of cash and the FDIC or the NCUSIF, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits;
(10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas;
(11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency;
(12) commercial paper with a stated maturity of 270 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank;
(13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with the United States Securities and Exchange Commission Rule 2a-7;
(14) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is

invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and,

(15) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service.

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

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

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

(ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City;

(iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and

(iv) the agreement to lend securities has a term of one year or less.

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

The City, as the owner of a municipal electric utility that is engaged in the sale of electric energy to the public, may invest funds held in a "decommissioning trust" (a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation) in any investment authorized by Subtitle B, Title 9, Texas Property Code ("Texas Trust Code"). The Texas Trust Code provides that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. The City established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A., and as of October 2016, transferred the trust to Wilmington Trust, National Association. The decommissioning trust market value, as of March 31, 2019, was $226,219,592.

The City is specifically prohibited from investing in:

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

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

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

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

Investment Policies

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

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

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

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

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

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

Additional Provisions

Under State law, the City is additionally required to:

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

Current Investments

As of March 31, 2019, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	18%
U. S. Agencies	38%
Money Market Funds	1%
Local Government Investment Pools	43%

The dollar weighted average maturity for the combined City investment portfolios is 216 days. The City prices the portfolios weekly utilizing a market pricing service.

THE CITY

Administration

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

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

City Manager – Spencer Cronk

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

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

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

Deputy Chief Financial Officer – Greg Canally

Mr. Greg Canally is currently the Interim Chief Financial Officer for the City. Prior to this appointment, Mr. Canally served as the Deputy Chief Financial Officer over the Treasury Office, Purchasing Office & Capital Contract Office, and worked as the Finance lead on economic development, transportation initiatives, facility master planning, and a variety of information technology issues for the City. Mr. Canally has been with the City for 18 years, entirely in the Finance Department. From 2004 thru 2008, he was the City's Budget Officer. He is past member of Government Finance Officers Association's Committee on Economic Development and Capital Planning. Prior to his work in municipal government, Mr. Canally worked as a project manager/economist for HDR Engineering, working with all levels of government to implement Water Planning solutions in Texas. Mr. Canally holds a Bachelor of Science degree in Economics from Villanova University and a Master of Science degree in Economics from the University of Texas at Austin.

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including Austin Energy, Austin Water, ABIA and two public event facilities.

Employees

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

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

Pension Plans

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

The following describes the contributions in place as of October 1, 2018. Municipal employees contribute 8.0% and the City contributes 18.0% of payroll. The Firefighters (who are not members of the Social Security System) contribute 18.7% of payroll, and the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.313% of payroll.

The City's net pension liability was measured as of December 31, 2017 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the COAERS and Police Officers plans. For the Fire system, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 using the final 2017 assumptions and then was rolled forward to the plan's year ending December 31, 2017.

The COAERS, as of December 31, 2017, had a net pension liability of $1.15 billion with a plan fiduciary net position as a percentage of the total pension liability of 69.8%. The Police Officers plan, as of December 31, 2017, had a net pension liability of $420.1 million with a plan fiduciary net position as a percentage of the total pension liability of 64.7%. The Fire Fighters plan, as of December 31, 2017 had a net pension liability of $85.0 million with a plan fiduciary net position as a percentage of the total pension liability of 91.8%.

The COAERS and Police Officers plan had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The Fire Fighters' fund had no significant changes of assumptions during the measurement period but did have a change in benefit term that affected the total pension liability. Effective January 1, 2019 a cost-of-living adjustment increase of 2.30% went into effect.

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

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2017, the amortization period of the unfunded actuarial accrued liability for the COAERS was 30 years, for the Police Officers' Fund was 35 years and the Firefighters' Fund was 17 years.

As of December 31, 2017, the actuarial accrued liability for the COAERS was $3,797,823,303 and the funded ratio was 68.3%. The actuarial accrued liability for the Police Officers' Fund was $1,185,017,294 and the funded ratio was 65.8%. The actuarial accrued liability for the Firefighters' Fund was $1,038,118,085 and the funded ratio was 88.3%.

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

Other Post-Employment Benefits

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

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

In fiscal year 2018, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which increased the total other postemployment benefits liability by $1.51 billion over the previously reported net other postemployment benefits obligation. The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

GASB Statement No. 75 requires governments offering postemployment benefits other than pensions to record a liability in the current period for total future postemployment benefit obligations for existing employees and retirees in excess of plan assets. In addition, it identifies accepted actuarial methods and assumptions, allows deferral of certain OPEB expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information.

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

The City subsidizes between 20% and 80% of the projected medical premium for retirees and a lesser portion for dependents and surviving spouses depending on years of service at retirement. The retiree must pay the unsubsidized portion of the premium. Both the City and retirees' estimated premiums are deposited in the Employee Benefits Fund, which pays actual claims for medical and prescription drugs and 100% of the retiree's basic life insurance premium. The cost of coverage above the $1,000 level for life insurance premium is paid by the retiree. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium. The estimated pay-as-you-go cost of providing medical and life benefits was $43.14 million in 2018 and $43.05 million in 2017. As of September 30, 2018, the total OPEB liability is $2.52 billion.

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

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately $4.44 million for claims and damages at the end of fiscal year 2018. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

OTHER RELEVANT INFORMATION

Ratings

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

Registration and Qualification

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Matters

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

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained in this Official Statement except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCE," "DESCRIPTION OF THE BONDS" (except for the information under the subcaption "Book-Entry-Only System"), "SECURITY AND SOURCES OF REPAYMENT FOR THE REVENUE BONDS" (except for the information under the subcaptions "Remedies" and "Contingent Payment Obligations"), "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), "TAX MATTERS," "OTHER RELEVANT INFORMATION – Registration and Qualification," "– Legal Investments and Eligibility to Secure Public Funds in Texas," and "– Legal Matters (but only with respect to the first two paragraphs thereof), and under "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES," and such firm will render an opinion solely to the City and the Underwriters to the effect that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described, and such information conforms to the Bonds and the Ordinances.

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

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

Financial Advisor

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

Financial Information and Independent Auditors

The financial data listed as fiscal year 2019 has been derived from the unaudited internal records of the City. The City's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information.

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report.

Underwriting

Citigroup Global Markets Inc., Morgan Stanley and Co. LLC, Jefferies LLC and Raymond James (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the 2019A Bonds from the City at a price equal to $__________, plus an original premium of $__________ and less an underwriting discount of $__________. The Underwriters have agreed, subject to certain conditions, to purchase the 2019B Bonds from the City at a price equal to $__________, plus an original premium of $__________ and less an underwriting discount of $__________.

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

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

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

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Certification of the Official Statement

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

Steve Adler
Mayor
City of Austin, Texas

ATTEST:

Jannette S. Goodall
City Clerk
City of Austin, Texas

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

APPENDIX B

AUDITED FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES

General

The following constitutes a summary of certain portions of the Ordinances. This summary should be qualified by reference to other provisions of the Ordinances referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Ordinances in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Ordinances, copies of which may be obtained from the City.

Amendments to the Revenue Bond Ordinances

The Ordinances authorizing the issuance of the Bonds include amendments to Ordinances and the existing Revenue Bond Ordinances. By acceptance of the Bonds, each Owner of a Bond (i) irrevocably and specifically consents to and approves amendments to the Ordinances and the existing Revenue Bond Ordinances described below, (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact to evidence an Owner's specific consent to and approval of the amendments described below, and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner. The amendments are described in this APPENDIX C in the definition of "Debt Service Reserve Fund Surety Bond" under "Selected Definitions"; deletions to the ordinance provisions are shown as strikethrough and additions to the ordinance provisions are underlined. These amendments require the consent of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding, and such amendments have not been consented to by any of the Owners of the Currently Outstanding Revenue Bonds. For additional information regarding these amendments, see "INTRODUCTION – Amendments to Revenue Bond Ordinances" in this document.

Selected Definitions

"Additional Revenue Bonds" means the additional parity revenue bonds permitted to be issued by the City pursuant to the Ordinances.

"Administrative Expense Fund" means the fund so designated in the Ordinances.

"Administrative Expenses" means the fees, expenses, and indemnification liabilities payable to the Persons to whom fees and expenses are due and owing in connection with the Revenue Bonds and Credit Agreement Obligations incurred in connection with a related series of Revenue Bonds, including, but not limited to the fees and expenses of the Paying Agent/Registrars, the Credit Providers, the rebate analysts, the remarketing agents and the tender agents, and of which the City is given actual notice at least thirty (30) days prior to the date payment of these amounts is due.

"Airport" means the air carrier airport developed, constructed and operated by the City pursuant to the city-wide election held within the City on May 1, 1993, and designated as the Austin-Bergstrom International Airport (ABIA).

"Airport Consultant" means a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of developing, operating and financing of airports of approximately the same size as the properties constituting the Airport System.

"Airport System" means all airport, heliport and aviation facilities, now or from time to time owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities and services of the Airport, and all additions, extensions, replacements and improvements to the Airport, and all services currently provided, or to be provided, by the City in connection with the Airport, but expressly excluding (i) any heliport or heliports operated by City Departments other than the Aviation Department, (ii) the Austin consolidated rental car facility, financed by the issuance of City of Austin, Texas Rental Car Special Facility Revenue Bonds, Taxable Series 2013, as Special Facilities, and (iii) the Mueller Airport Property.

"Aviation Director" means the Executive Director of the City's Department of Aviation, or any successor or person acting in that capacity.

"Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2019A and the City of Austin, Texas, Airport System Revenue Bonds, Series 2019B (AMT), authorized by the Ordinances.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City, or in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are generally authorized or obligated by law or executive order to close.

"Capital Fund" means the fund so designated in the Ordinances.

"Capitalized Interest Account" means the applicable account so designated in the Ordinances and the existing Revenue Bond Ordinances.

"Code" means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

"Construction Fund" means the fund so designated in the Ordinances.

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

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

"Currently Outstanding Revenue Bonds" means the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, and the Series 2019 Bonds.

"Debt Service" means (i) with respect to a series of Revenue Bonds, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Revenue Bonds, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, and (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty is not in default (specifically excluding Termination Payments, which shall constitute Subordinate Obligations).

"Debt Service Fund" means the fund so designated in the Ordinances.

"Debt Service Requirements" means for any particular period of time, an amount equal to the sum of the following for such period with respect to all or any portion of Revenue Bonds or Credit Agreement Obligations, as applicable, then Outstanding:

A. That portion of interest which would accrue with respect to Revenue Bonds during such period if interest were deemed to accrue only during the 6 month period prior to its payment (12 month period in the case of capital appreciation or compound interest bonds), plus

B. That portion of the principal amount of Revenue Bonds which would accrue during such period if principal was deemed to accrue only during the 12 month period prior to its scheduled payment date (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Revenue Bond redemptions),

less and except any such interest or principal for the payment of which provision has been made by: (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, from interest earned or to be earned thereon, from Airport System funds other than Net Revenues, or from any combination of such sources; and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a dedicated fund or account (including, without limitation, the Capitalized Interest Account), the proceeds of which are required to be transferred as needed into the Debt Service Fund or directly to the Paying Agent/Registrar for the Revenue Bonds.

"Debt Service Reserve Fund" means the fund so designated in the Ordinances.

"Debt Service Reserve Fund Requirement" means the amount required to be maintained in the Debt Service Reserve Fund. This amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with section 1.148-6 of the regulations promulgated under the Code, exceed the least of: (a) 10% of the stated principal amount of each issue of which such Revenue Bonds or Additional Revenue Bonds are a part; (b) the maximum annual principal and interest requirements of the issue; or (c) 125% of the average annual principal and interest requirements of the issue, unless there is received an opinion of nationally recognized bond counsel to the effect that such additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the related regulations promulgated from time to time.

"Debt Service Reserve Fund Surety Bond" means any surety bond, letter of credit, line of credit or insurance policy ~~having a rating in the highest respective rating categories by Moody's and Standard & Poor's~~ issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated "Aa3" or higher by Moody's or "AA-" or higher by Standard & Poor's.

"Defeasance Obligations" means: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date council adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iv) any other then authorized securities or obligations under applicable Texas law in existence on the date the City adopts or approves any proceedings authorizing the issuance of Refunding Revenue Bonds that may be used to defease obligations such as the Bonds.

"Favorable Opinion of Bond Counsel" means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of nationally recognized bond counsel to the effect that, under existing law, such action or omission does not adversely affect the excludability of interest payable on the Bonds from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion of bond counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

"Federal Payments" means those funds received by the Airport System from the federal government or any agency of the federal government as payments for the use of any facilities or services of the Airport System.

"Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

"General Obligation Airport Bonds" means those bonds or other obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes.

"Gross Revenues" means all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to all or any part of the Airport System, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent expressly excluded below, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation of the Airport System, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. Gross Revenues **expressly excludes**:

(a) proceeds of any Revenue Bonds and Subordinate Obligations;

(b) interest or other investment income derived from Revenue Bonds and Subordinate Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;

(c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport System facilities;

(d) any revenues derived from any Special Facilities (e.g. customer facility charges) which are pledged to the payment of Special Facilities Bonds;

(e) insurance proceeds other than loss of use or business interruption insurance proceeds;

(f) the proceeds of the passenger facility charge (PFC) currently imposed by the City and any other per-passenger charge as may be lawfully authorized;

(g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;

(h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes;

(i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and

(j) Other Available Funds transferred to the Revenue Fund as provided in the Ordinances.

"Interest Payment Date" means each May 15 and November 15, commencing November 15, 2019, until maturity or prior redemption of the Bonds.

"Minimum Capital Reserve" means an amount, designated by the Aviation Director not less frequently than annually at the end of each Fiscal Year, but in any event not more than $100,000 each Fiscal Year, necessary to accumulate or to reaccumulate in the Capital Fund a reserve in an amount not less than $1,000,000.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns, and if this corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall refer to any other nationally recognized securities rating agency designated by the City.

"Mueller Airport Property" means the property and facilities that comprised the former Robert Mueller Municipal Airport, located within the City. The Mueller Airport Property is not part of the Airport System.

"Net Revenues" means that portion of the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, those reasonably allocated City overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; any required rebate of any portion of interest income to the federal government which is payable from Gross Revenues or the Revenue Fund; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of direct City services rendered to the Airport System as are requested from the City by the Airport System and as are reasonably necessary for the operation of the Airport System; costs of issuance of Revenue Bonds and Subordinate Obligations for the Airport System (except to the extent paid from the proceeds); fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but **excluding**:

(a) any allowance for depreciation;

(b) costs of capital improvements;

(c) reserves for major capital improvements, Airport System operations, maintenance or repair;

(d) any allowance for redemption of, or payment of interest or premium on, Revenue Bonds and Subordinate Obligations;

(e) any liabilities incurred in acquiring or improving properties of the Airport System;

(f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;

(g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;

(h) liabilities based upon the City's negligence or other ground not based on contract; and

(i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

"Operation and Maintenance Reserve Fund" means the fund so designated and created within the Revenue Fund in the Ordinances.

"Other Available Funds" means any amount of unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, before the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund, but in no event may this amount exceed twenty-five percent (25%) of the Debt Service Requirements for the Revenue Bonds for such Fiscal Year for purposes of Sections 5.03 (Rate Covenant) and 6.01 (Additional Revenue Bonds) of the Ordinances.

"Outstanding" when used with reference to any Revenue Bonds or Subordinate Obligations means, as of a particular date, all those obligations Revenue Bonds or Subordinate Obligations delivered except: (a) any obligation paid, discharged or cancelled by or on behalf of the City at or before that date; (b) any obligation defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any obligation in lieu of or in substitution for which another obligation was delivered pursuant to the ordinance authorizing the issuance of the obligation.

"Owner" or "Registered Owner"," when used with respect to any Revenue Bond means the person or entity in whose name the Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners means the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under the Ordinances.

"Paying Agent/Registrar" means, for the Bonds, U.S. Bank National Association, and its successors in that capacity.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of the government.

"Qualified Put" means any agreement, however denominated, provided by a qualifying financial institution (as described in the next sentence) which contractually commits to purchase, upon no more than seven days' notice, for not less than a stated price any class or amount of investment securities or other authorized investments of the City at any time that such investment securities or investments must be liquidated in order to make cash transfers from the fund or account that holds such investments. A Qualified Put may be entered into only with a qualifying financial institution which is (a) a domestic bank the long-term debt of which is rated at least "AA" by Standard & Poor's and "Aa" by Moody's , or (b) a foreign bank the long-term debt of which is rated "AAA" by Standard & Poor's and at least "Aa" by Moody's , or at least "AA" by Standard & Poor's and "Aaa" by Moody's, or (c) a financial institution the long-term debt of which is rated at least "A" by both Standard & Poor's and Moody's and agrees to collateralize its obligations under such agreement by lodging with a third party trustee, escrow agent, custodian or other financial third party direct obligations of the United States of America or its agencies with a market value equal to 102% of the difference between the face amount of its purchase obligation under the agreement and the market value of the investment securities to which the agreement relates (based upon periodic market valuations at least monthly). A Qualified Put may be integrated into any investment authorized under Texas law, such as a repurchase agreement.

"Regulations" means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Renewal and Replacement Fund" means the fund so designated in the Ordinances.

"Renewal and Replacement Fund Requirement" means the amount required to be maintained in the Renewal and Replacement Fund pursuant to the Ordinances, or any greater amount required by any ordinance authorizing any series of Additional Revenue Bonds.

"Revenue Bond Ordinances" means the ordinances authorizing the issuance of the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017A Bonds, the Series 2017B Bonds, the Series 2019 Bonds, the Bonds, and any ordinances pursuant to which Additional Revenue Bonds are issued.

"Revenue Bonds" means the Currently Outstanding Revenue Bonds, the Bonds and each series of bonds, notes or other obligations, other than Credit Agreement Obligations, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances, payable from and secured by a first lien on and pledge of Net Revenues.

"Revenue Fund" means the fund so designated in the Ordinances.

"Rule" means Rule 15c2-12, promulgated by the United States Securities and Exchange Commission.

"Series 2013 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2013.

"Series 2014 Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2014 (AMT).

"Series 2017A Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017A.

"Series 2017B Bonds" means the City of Austin, Texas, Airport System Revenue Bonds, Series 2017B (AMT).

"Series 2017 Hotel Bonds" means the Austin-Bergstrom Landhost Enterprises, Inc. Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017.

"Series 2017 Hotel Grant Agreement" means that certain Grant Agreement dated as of October 1, 2017, by and between the City and Austin-Bergstrom Landhost Enterprises, Inc.

"Series 2019 Bonds" means the City of Austin, Texas, Airport System Revenue Refunding Bonds, Series 2019 (AMT).

"Special Facilities" means structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of or related to the Airport System, the cost of the construction or other acquisition of which is financed with the proceeds of Special Facilities Bonds.

"Special Facilities Bonds" means those bonds from time to time hereafter issued by the City pursuant to the appropriate provisions of the Ordinances.

"Special Facilities Lease" means any lease or agreement pursuant to which a Special Facility is leased by the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Bonds issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Bonds) and (ii) the operation and maintenance expenses of the Special Facility.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a division of S&P Global Inc., its successors and assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, “Standard & Poor’s” and “S&P” shall refer to any other nationally recognized securities rating agency designated by the City.

“Subordinate Obligations” means each series of bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to the Ordinances as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Revenue Bonds. The City’s obligation to fund certain reserve fund deficiencies relating to the Series 2017 Hotel Bonds from “Surplus Airport System Revenues” pursuant to the Series 2017 Hotel Grant Agreement, subject in all respects to the terms of the Series 2017 Hotel Grant Agreement and the Revenue Bond Ordinances, constitutes a Subordinate Obligation.

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

“Termination Payment” means an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment under the Swap Agreement. “Termination Payment” shall not include any amount representing an Administrative Expense.

Funds and Flow of Funds

Funds. The Ordinances create or confirm the Revenue Fund, including the Operation and Maintenance Reserve Fund therein, the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, the Renewal and Replacement Fund, the Capital Fund, including a Capital Improvement Account therein, and the Construction Fund. The City may create additional accounts and subaccounts in any of the funds, including accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with the Ordinances.

The Revenue Fund, including the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any Capitalized Interest Account in the Construction Fund) shall be maintained as separate funds or accounts on the books of the City and all amounts credited to the Funds and Accounts shall be maintained in an official depository bank of the City. The Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund shall be maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the owners of the Revenue Bonds and the proceeds of which shall be pledged, as herein provided, to the payment of the Revenue Bonds. The Administrative Expense Fund shall constitute trust funds which shall be held in trust for the payment of Administrative Expenses to Persons entitled to those Administrative Expenses.

Flow of Funds. Gross Revenues shall be deposited as received by the City into the Revenue Fund. In addition, the City may deposit into the Revenue Fund any Federal Payments not restricted for capital purposes, provided that, so long as the Federal Payments are excluded from the definition of Gross Revenues, the Federal Payments shall be applied solely to the payment of Operation and Maintenance Expenses or capital expenditures and never constitute Net Revenues. Other Available Funds may also be deposited into the Revenue Fund. Moneys from time to time credited to the Revenue Fund shall be applied as follows in the following order of priority:

(a) First, to provide for all payments of Operation and Maintenance Expenses required by the Revenue Bond Ordinances.

(b) Second, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances and any related Credit Agreement Obligations.

(c) Third, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled to payment when due.

(d) Fourth, to transfer all amounts to the Debt Service Reserve Fund required by the Revenue Bond Ordinances.

(e) Fifth, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for payment, as may be required by any ordinance authorizing Subordinate Obligations and related credit agreement obligations.

(f) Sixth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.

(g) Seventh, to transfer all amounts to the Operation and Maintenance Reserve Fund required by the Revenue Bond Ordinances.

(h) Eighth, to transfer all amounts to the Renewal and Replacement Fund required by the Revenue Bond Ordinances.

(i) Ninth, the balance shall be transferred to the Capital Fund.

Debt Service Fund. To the extent moneys remain on deposit in any Capitalized Interest Account, there shall be transferred from the Capitalized Interest Account to the Debt Service Fund amounts available to pay the interest coming due on the applicable series of Revenue Bonds at the times provided in the Revenue Bond Ordinances.

On or before the last Business Day of each month so long as any Revenue Bonds remain Outstanding, after making all required payments of Operation and Maintenance Expenses, there shall be transferred into the Debt Service Fund from the Revenue Fund the amount to cause the balance in the Debt Service Fund to equal the Debt Service on all Revenue Bonds and Credit Agreement Obligations accrued, but unpaid, through the end of the current month on all Revenue Bonds and Credit Obligations reasonably expected to accrue and be payable on or before the last Business Day of the next succeeding month.

Debt Service Reserve Fund. The City shall establish and maintain a balance in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement. Each increase in the Debt Service Reserve Fund Requirement resulting from the issuance of Additional Revenue Bonds shall be funded at the time of issuance and delivery of the series of Additional Revenue Bonds by depositing to the credit of the Debt Service Reserve Fund either: (A) proceeds of the Additional Revenue Bonds and/or other lawfully appropriated funds in not less than the amount which will be sufficient to fund fully the Debt Service Reserve Fund Requirement; or (B) a Debt Service Reserve Fund Surety Bond sufficient to provide that portion of the Debt Service Reserve Fund Requirement. The City further expressly reserves the right to substitute at any time a Debt Service Reserve Fund Surety Bond for any funded amounts in the Debt Service Reserve Fund and to apply the funds thereby released, to the greatest extent permitted by law, to any of the purposes for which the related Revenue Bonds. The City shall not employ any Debt Service Reserve Fund Surety Bond unless: (i) the City officially finds that the purchase of the Debt Service Reserve Fund Surety Bond is cost effective; (ii) the Debt Service Reserve Fund Surety Bond does not impose upon the City a repayment obligation (in the event the Debt Service Reserve Fund Surety Bond is drawn upon) greater than can be funded in 18 monthly installments as provided below, payable out of Net Revenues on a parity with the monthly deposits that are otherwise required to be made to the Debt Service Reserve Fund; and (iii) that any interest due in connection with the repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Debt Service Reserve Fund Surety Bond.

In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement for the Revenue Bonds or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of such month, after making all required transfers to the Debt Service Fund and the Administrative Expense Fund, the City shall transfer into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an 18 month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement for the Revenue Bonds and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After this amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as the Debt Service Reserve Fund contains this amount and all repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below such amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to the Debt Service Reserve Fund shall be resumed and continued in such amounts as shall be required to restore the Debt Service Reserve Fund to this amount and to pay this reimbursement obligations within an 18 month period.

The City shall use the Debt Service Reserve Fund to pay the principal of and interest on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for this purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds. The City may use the Debt Service Reserve Fund to make the final payments for the retirement or defeasance of Revenue Bonds, related Credit Agreement Obligations and Administrative Expenses. See "Amendments to the Revenue Bond Ordinances" in this APPENDIX C for a description of the amendments to the definition of "Debt Service Reserve Fund Surety Bond" in the Ordinances and the Revenue Bond Ordinances.

Funds and Accounts for Subordinate Obligations. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, the City shall transfer into the funds and accounts as the City may establish pursuant to an ordinance authorizing the issuance or incurrence of Subordinate Obligations, the amounts required pursuant to the ordinance authorizing the issuance or incurrence of Subordinate Obligations to provide for the payment, or to provide reserves for the payment, of the Subordinate Obligations.

Administrative Expense Fund. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the City shall transfer to the Administrative Expense Fund an amount equal to the Administrative Expenses expected to be paid to the Persons entitled to payment in the next succeeding month. Amounts on deposit in the Administrative Expense Fund shall be applied solely to the payment of Administrative Expenses.

General Obligation Airport Bonds. On or before the last Business Day of each month, so long as any General Obligation Airport Bond remains outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund and any other fund and account established by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations, the City shall transfer from the Revenue Fund, to the extent amounts are available, the amounts necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

Operation and Maintenance Reserve Fund. The City shall fund and maintain a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two months current Operation and Maintenance Expenses, which amount shall annually be redetermined by the Aviation Director at the time the recommended budget for the Airport System is submitted to Council, based upon either the Aviation Director's recommended budget for Operation and Maintenance Expenses or the Aviation Director's estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as provided in the Ordinances, there shall be transferred from the Revenue Fund, to the extent amounts are available, to the Operation and Maintenance Reserve Fund an amount equal to 1/12th of the deficiency, if any, in the Operation and Maintenance Reserve Fund as of the last day of the previous Fiscal Year until the required balance in the Operation and Maintenance Reserve Fund is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time: first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Revenue Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency in any of these funds.

Renewal and Replacement Fund. The City has established the Renewal and Replacement Fund Requirement to be $5,000,000. On or before the last Business Day of each month, if the Renewal and Replacement Fund contains less than the Renewal and Replacement Fund Requirement, then after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as hereinabove provided, and to the Operation and Maintenance Reserve Fund, the City shall transfer from the Revenue Fund, to the extent funds are available, to the Renewal and Replacement Fund an amount equal to 1/12th of the deficiency (being the amount by which the Renewal and Replacement Fund Requirement exceeded the unappropriated balance therein) as of the last day of the previous Fiscal Year and, at the discretion of the City, to pay directly from the Revenue Fund any other costs that could be paid from amounts on deposit in the Renewal and Replacement Fund. The City is required to make these transfers into the Renewal and Replacement Fund until such time as the Renewal and Replacement Fund Requirement has again been accumulated in the Renewal and Replacement Fund. Amounts from time to time credited to the Renewal and Replacement Fund may be used at any time: first, to pay for any costs of replacing depreciable property and equipment of the Airport System and making repairs, replacements or renovations of the Airport System; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency.

Capital Fund. After the City makes all payments and transfers required by the Ordinances, at least annually it shall also transfer all amounts remaining in the Revenue Fund to the Capital Fund; provided, however, that no transfers shall be made to the Capital Fund unless the Debt Service Reserve Fund contains the Debt Service Reserve Fund Requirement and all Administrative Expenses have been paid. Amounts credited to the Capital Improvement Account may be used only for lawful purposes relating to the Airport System, including without limitation, to pay for any capital expenditures or to pay costs of replacing any depreciable property or equipment of the Airport System, to make any major or extraordinary repairs, replacements or renewals of the Airport System, to acquire land or any interest in such land, to pay costs necessary or incident to the closing or disposition of any facility of the Airport System and, at the City's discretion, to be designated as Other Available Funds to be transferred to the Revenue Fund.

Construction Fund. From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into any Capitalized Interest Account established in the Construction Fund for that series the amount of capitalized interest required by the ordinance authorizing issuance of the series of Revenue Bonds. The amounts may be applied to pay interest on the series of Revenue Bonds as provided in the authorizing ordinance.

From the proceeds of each series of Revenue Bonds (other than any refunding bonds) there shall be deposited into the applicable Project Account established in the Construction Fund the amounts as shall be provided in the ordinance authorizing the series of Revenue Bonds. The amounts may be applied to pay costs of establishing, improving, enlarging, extending, and repairing the Airport System or any project to become part of the Airport System, to reimburse advances made by the City for such costs, to pay costs of issuance of Revenue Bonds and to pay any other capital costs of the Airport System as provided in the ordinance authorizing the series of Revenue Bonds.

Mueller Airport Disposition Fund. The Robert Mueller Municipal Airport was closed for aviation purposes and the Mueller Airport Property was transferred out of the Airport System and is no longer part of the Airport System. In connection with the transfer of the Mueller Airport Property, the City deposited certain funds into the Mueller Disposition Fund. These funds, together with any other amounts deposited into the Mueller Disposition Fund, may be used for the payment or reimbursement of all costs and expenses incurred by the City necessary or incident to the closing of Robert Mueller Municipal Airport to aviation purposes and the disposition of the Mueller Airport Property. Any amounts remaining will be transferred to the City's aviation department.

Investment of Funds; Transfer of Investment Income. Money in all Funds and Accounts shall, at the option of the City, be invested in the manner provided by Texas law; provided, that all such deposits and investments shall be made in a manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in the Funds and Accounts may be subjected to further investment restrictions imposed from time to time by ordinances authorizing the issuance of Revenue Bonds and Subordinate Obligations. All such investments shall be valued no less frequently than once per Fiscal Year at market value, except that: (i) any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount, and (ii) any investments which are subject to a Qualified Put may continuously be valued at the amount at which they can be put or sold under the terms of such Qualified Put. For purposes of maximizing investment returns, money in the Funds may be invested, together with money in other Funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of the money or Funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which the money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

All interest and income derived from deposits and investments credited to any of the following funds and accounts shall be applied as follows, except as provided in the following paragraph.

Source of Interest or Income	Fund or Account to which such Interest or Income should be Credited
Revenue Fund	Remains in Revenue Fund
Administrative Fund	Revenue Fund
Debt Service Reserve Fund	Remains in fund until the Debt Service Reserve Fund Requirement is satisfied; thereafter to the Revenue Fund
Operation and Maintenance Reserve Fund	Remains in fund until fully funded; thereafter, to the Revenue Fund
Renewal and Replacement Fund	Remains in fund until Renewal and Replacement Fund Requirement is met; thereafter, to the Revenue Fund
Capital Fund - Capital Improvement Account	Remains in the fund or in the appropriate fund or account therein

Any interest and income derived from deposits and investments of any amounts credited to any Fund or Account may be: (i) transferred into any rebate account or subaccount; and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in the Ordinances or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of the Owners thereof for federal income tax purposes. Further, to the extent any interest or income in the Debt Service Reserve Fund is allocable to the proceeds of the Revenue Bonds, then such amounts shall be deposited into the Debt Service Fund unless the City receives a Favorable Opinion of Bond Counsel.

So long as any Revenue Bond remains Outstanding, all uninvested moneys on deposit in, or credited to, the Funds and Accounts established or confirmed in the Ordinances shall be secured by the pledge of security, as provided by Texas law.

Additional Bonds

Additional Revenue Bonds. The City reserves the right to issue, for any lawful Airport System purpose, one or more installments of Additional Revenue Bonds payable from and secured on a parity with the Outstanding Revenue Bonds; provided, however, that no series of Additional Revenue Bonds shall be issued unless:

(a) No Default. The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any Revenue Bonds then Outstanding or any ordinance pursuant to which any Revenue Bonds were issued unless the default will be cured by the issuance of the Additional Revenue Bonds.

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

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

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

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

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

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

(f) Bond Ordinance Requirements. Provision is made in the Revenue Bond Ordinances authorizing the Additional Revenue Bonds proposed to be issued for (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the Revenue Bond Ordinance and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by the Ordinances or any other Revenue Bond Ordinance authorizing Additional Revenue Bonds.

(g) Special Provisions for Completion Bonds. The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with the provisions of the Ordinances.

Completion Bonds. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Airport Project for which Revenue Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required above for the issuance of Additional Revenue Bonds, the following documents:

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

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

For purposes of this Section, the term "Airport Project" means the Airport or any other Airport System facility or project which shall be defined as an Airport Project in any ordinance authorizing the issuance of Additional Revenue Bonds for the purpose of financing the Airport Project. Any such ordinance may contain such further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of the Airport Project.

Subordinate Obligations. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related to the Subordinate Obligations, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the Revenue Bonds.

Special Facilities Bonds. The City reserves the right in the Ordinances to issue from time to time, in one or more series, Special Facilities Bonds to finance and refinance the cost of any Special Facilities, including all required reserves, all related costs of issuance and other reasonably related amounts, provided that such Special Facilities Bonds shall be payable solely from payments by lessees under Special Facilities Leases and/or other security not provided by the City. In no event shall Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. Unless expressly provided to the contrary in the Ordinances, no default with respect to a Special Facilities Bond shall constitute a default under the Ordinances.

Credit Agreements. To the fullest extent permitted by applicable law, the City expressly reserves the right to purchase and/or enter into Credit Agreements in connection with any series of Revenue Bonds and to pledge to and secure the payment of related Credit Agreement Obligations from Net Revenues and the various funds and accounts established or referred to in the Ordinances to the extent permitted by the Ordinances, and any of the City's other ordinances authorizing the issuance of Additional Revenue Bonds and to enter into credit agreements in connection with any series of Subordinate Obligations.

Particular Covenants

Annual Budget. So long as any Revenue Bond or Credit Agreement Obligation remains Outstanding, the Aviation Director shall, prior to the commencement of each Fiscal Year, prepare and delivery to the chief budget officer of the City, for submission to Council, a recommended annual budget for the Airport System for that Fiscal Year. The City shall adopt annual budgets for the Airport System for each Fiscal Year, containing an estimate of Gross Revenues and only those budgeted expenditures as will produce Net Revenues in an amount not less than the Debt Service and Administrative Expenses when due and make the required deposits to the Debt Service Reserve Fund. After the adoption of the annual Airport System budget by the City, the total expenditures for Operation and Maintenance Expenses will not exceed the total expenditures authorized for the purposes described in the budget, as the budget may from time to time be amended.

Rate Covenant. The City covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

(i) all amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or

(ii) an amount, together with Other Available Funds, not less than 125% of the Debt Service Requirements for Revenue Bonds for such Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for the Fiscal Year.

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

Sale or Encumbrance of Airport System. Except for the use of the Airport System or services pertaining to the Airport System in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System will be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision for payment has been made, and the City shall not dispose of its title to the Airport System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities, except for any pledges of and liens on revenues derived from the operation and use of all or part of the Airport System, or any Special Facilities, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Aviation Director certifies: (i) to be no longer useful in the construction or operation of the Airport System; (ii) to be no longer necessary for the efficient operation of the Airport System; or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Capital Fund - Capital Improvement Account or shall be applied to retire or pay principal of or interest on Revenue Bonds.

Nothing in the Ordinances prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, in whole or in part, if: (i) in the written opinion of the Airport Consultant, the ability to meet the rate covenant and other covenants under the Ordinances and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected; and (ii) in the written opinion of nationally recognized bond counsel, the transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code to be includable in gross income of the Owners of the Revenue Bonds for federal income tax purposes. Following the transfer and assumption, all references to the City, City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City shall be deemed references to the transferee entity and comparable officials, actions, powers or characteristics of the entity. In the event of any transfer and assumption, nothing in the Ordinances shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, the retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of the Ordinances and in any Revenue Bond Ordinance.

Insurance. The City covenants and agrees that it will keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that the insurance is available; provided, however, that if any insurance is not commercially available or not available on more favorable economic terms, the City may elect to be self-insured in whole or in part against the risk or loss that would otherwise be covered by insurance, in which case the City will establish reserves for such risk or loss in amounts the City determines to be appropriate. All net proceeds of property or casualty insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Airport System or to redeem Revenue Bonds. Proceeds of business interruption insurance may be credited to the Revenue Fund.

Accounts, Records, and Audits. The City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. After the close of each Fiscal Year, the City shall cause an audit report of the records and accounts described in the preceding sentence to be prepared by an independent certified public accountant or independent firm of certified public accountants, which may be part of an overall audit report of the City and/or other of its enterprise funds. All expenses of obtaining such reports shall constitute Operation and Maintenance Expenses of the Airport System.

Bondholders' Remedies. The Ordinances are a contract between the City and the Owners of the Revenue Bonds and the holders of related Credit Agreement Obligations from time to time outstanding and the Ordinances shall be and remain irrepealable until the Revenue Bonds, the related Credit Agreement Obligations and Administrative Expenses shall be fully paid or discharged or provision for their payment shall have been made as provided in the Ordinances. In the event of a default in the payment of Debt Service on any of the Revenue Bonds or Credit Agreement Obligations or a default in the performance of any duty or covenant provided by law or in the Ordinances, the Owner or Owners of any of the Revenue Bonds, and the holders of any Credit Agreement Obligations and the Persons to whom Administrative Expenses are owed may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Revenue Bonds or holder of Credit Agreement Obligations or Person to whom Administrative Expenses are owed, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under the Ordinances, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds herein provided, and the application of such Gross Revenues in the manner required in the Ordinances.

Notwithstanding the provisions of the foregoing paragraph: (i) acceleration as a remedy is expressly denied; (ii) no grace period for a default in the performance of any duty or covenant shall exceed 30 days, nor shall any grace period be extended for more than 60 days; and (iii) no grace period is permitted with respect to a default in the payment of Debt Service or the payment of Administrative Expenses when due.

Legal Holidays. If any date on which a payment of Debt Service is due is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of scheduled payment of Debt Service.

Discharge By Deposit

The City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion by depositing with the Paying Agent/Registrar cash in an amount equal to the Debt Service of the Bonds to the date of maturity or redemption, or any portion of the Bonds to be discharged, or by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of $100,000,000, pursuant to an escrow or trust agreement, cash and/or Defeasance Obligations in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, the Bonds, or any portion thereof, shall no longer be regarded to be Outstanding or unpaid. In case any Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Bonds to be so redeemed in the manner required in the Ordinances. Any determination not to redeem Bonds that is made in conjunction with the payment arrangements described above shall not be irrevocable, provided that: (1) in the proceedings providing for the payment arrangements, the City expressly reserves the right to call the Bonds for redemption; (2) the City gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the payment arrangements; and (3) the City directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

Alteration of Rights and Duties. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Amendment of the Ordinances Without Consent. The City may, without the consent of or notice to any of the Owners of the Bonds, amend the Ordinances for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinances or in the ordinances authorizing the issuance of Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies, or to obtain the approving opinion of the Attorney General of Texas as required by law; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;

(b) to change the terms or provisions of the Ordinances to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the Owners thereof for federal income tax purposes;

(c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;

(d) to add to the covenants and agreements of the City contained in the Ordinances other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in the Ordinances;

(e) to amend any provisions of the Ordinances relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection therewith, so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any major municipal securities evaluation service then rating any Series of the Revenue Bonds;

(f) to subject to the lien and pledge of the Ordinances additional Net Revenues which may include revenues, properties or other collateral; and

(g) to amend the undertaking relating to continuing disclosure of information in Article Twelve of the Ordinances to the extent permitted in Article Twelve.

Amendments of the Ordinances Requiring Consent. The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinances but, if the amendment is not of the character described above, only with the consent of the Owner or Owners given in accordance with the Ordinances of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in this paragraph shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued hereunder, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to such amendment.

Consent of Owners. Any consent required by the preceding paragraph hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by the Owner or its duly authorized attorney. Proof of the execution of any consent or of the writing appointing any such attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Ordinances, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction that the person signing the writing acknowledged its execution before him or her, or by affidavit of any witness to the execution.

(b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that on that date the Revenue Bond was registered in the name of that party in the Register.

In lieu of the foregoing the City may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to the subsection titled "Amendments of the Ordinances Requiring Consent" shall be valid only if given following the giving of notice by or on behalf of the City requesting the consent and setting forth the substance of the amendment of the Ordinances in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be given by certified mail to each Registered Owner of the Revenue Bonds affected at the address shown on the Register.

Copies of all amendments and supplements to the Ordinances or to any Related Document shall be sent to S&P and Moody's at least 10 days before its effective date.

Revocation of Consent. Any consent by any Owner of a Revenue Bond shall be irrevocable for a period of 18 months from the date of mailing of the notice provided for in the Ordinances, and shall be conclusive and binding upon all future Owners of the same Revenue Bond and any Revenue Bond delivered on transfer thereof or in exchange for or replacement of the Revenue Bond during this period. The consent may be revoked at any time after 18 months from the date of the first mailing of the notice by the Owner who gave the consent or by a successor in title, by filing notice with the Paying Agent/Registrar, but the revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding as in the Ordinances defined have, prior to the attempted revocation, consented to and approved the amendment.

Consent to Certain Amendments Given Through Ownership of Bonds. (a) By acceptance of the Bonds, each Owner of a Bond: (i) irrevocably and specifically consents to and approves the amendments described in subsection (b) below; (ii) irrevocably appoints the Aviation Director as its true and lawful attorney-in-fact for the limited purpose of executing the written instrument required by Section 9.04 of the Ordinances to evidence the Owner's specific consent to and approval of the amendments described in subsection (b) below; and (iii) confirms all actions taken by the Aviation Director as attorney-in-fact for the Owner, it being specifically provided that the Aviation Director need not consult with, or provide notice to, an Owner in connection with the actions taken by the Aviation Director under this Section. The power of attorney granted to the Aviation Director shall be limited to effecting the amendments described in subsection (b) below and is irrevocable for so long as any Bond remains Outstanding.

(b) The amendments are: amend the definition of "Debt Service Reserve Fund Surety Bond" in Section 2.01 of this Ordinances and the Revenue Bond Ordinances to read as follows:

> "Debt Service Reserve Fund Surety Bond" means any surety bond, letter of credit, line of credit or insurance policy issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07 of this Ordinance; provided that, at the time of delivery to the City, either the long-term unsecured debt of the issuer of the Debt Service Reserve Fund Surety Bond or the obligations insured, secured or guaranteed by such issuer are rated "Aa3" or higher by Moody's or "AA-" or higher by Standard & Poor's.

These amendments described in subsection (b) above require the consent of not less than a majority of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding, and such amendments have not been consented to by any of the Owners of the Currently Outstanding Revenue Bonds. For additional information regarding these amendments, see "INTRODUCTION – Amendments to Revenue Bond Ordinances" in this document.

Use of Passenger Facility Charges

Consistent with the definitions of Debt Service Requirements and Gross Revenues, the City acknowledges and agrees that debt service with respect to the Revenue Bonds paid or to be paid from passenger facility charges is not included in the calculation of Debt Service Requirements. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) $4.50 derived from each passenger facility charge ("PFC") so imposed and collected by the City for the payment of PFC-eligible debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the passenger facility charges will not reduce the forecast coverage of Debt Service Requirements with respect to the Revenue Bonds by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

APPENDIX D

FORMS OF BOND COUNSEL'S OPINIONS