Audit and Finance Committee

City Treasury Update

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Austin Financial Services | November 18, 2026

Investments & Economic Commentary

Investment Authority



Texas Government Code Public Funds Investment Act 2256



Investment Committee



Investment Policy Annual Approval by City Council



Cash Flow Projections and Current Market Conditions analyzed to determine Portfolio Composition

Public Funds Investment Act (PFIA)

Texas Government Code 2256

"More important than the return on my money is the return of my money"
- Will Rogers

- The City has tailored the PFIA guidelines to formulate the Investment Policy for cash flow and risk tolerance
- Investment Officers are required to have PFIA training
- Local Government Investment Pool (LGIPs) are required to maintain a AAA or AAA-m rating from a nationally recognized rating service

Austin Investment Priorities

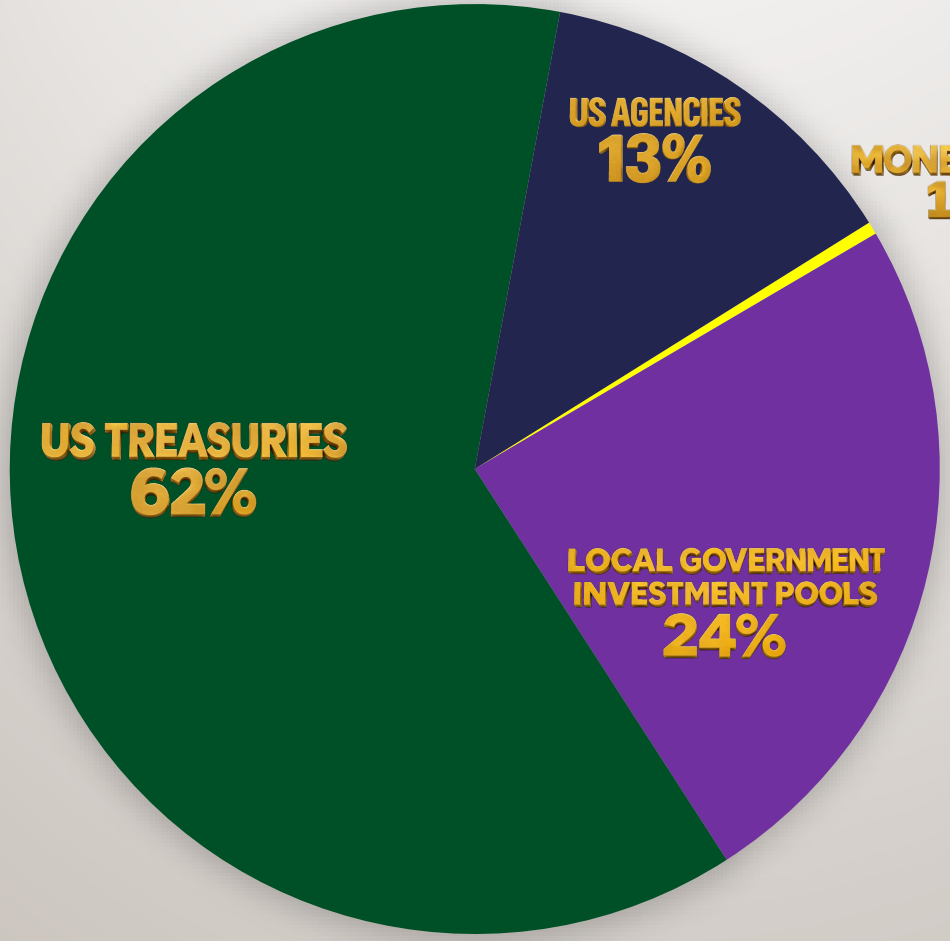
- Preserve capital and protect principal
- Maintain sufficient liquidity to meet operating needs
- Security of City funds and investments
- Diversify investments
- Maximize return on the portfolio within cash flow projections







City of Austin Investment Composition



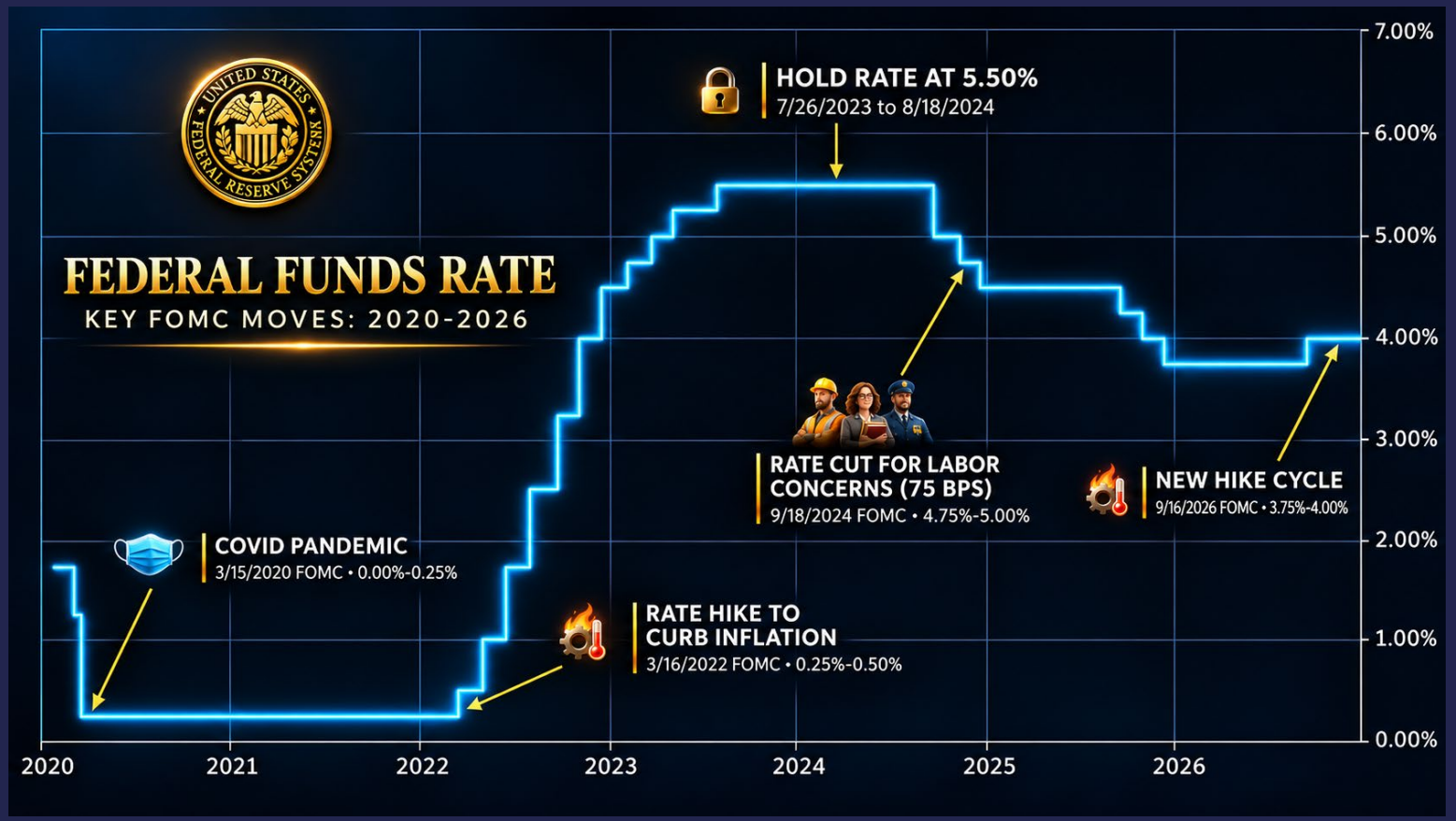
$5.9 billion
as of
09/30/26

Austin

Investment Income FY 2023-2026

Fiscal Year Ending	Investment Income	Average Balance Operating Portfolio	Earning %
2023	$ 134,924,695	$3,794,231,900	3.47%
2024	$170,303,815	$3,610,128,976	4.58%
2025	$149,723,855	$3,319,688,425	4.46%
2026	$161,424,615	$4,021,087,757	4.05%

Federal Funds Rate History



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Current FOMC Outlook:

Restrictive

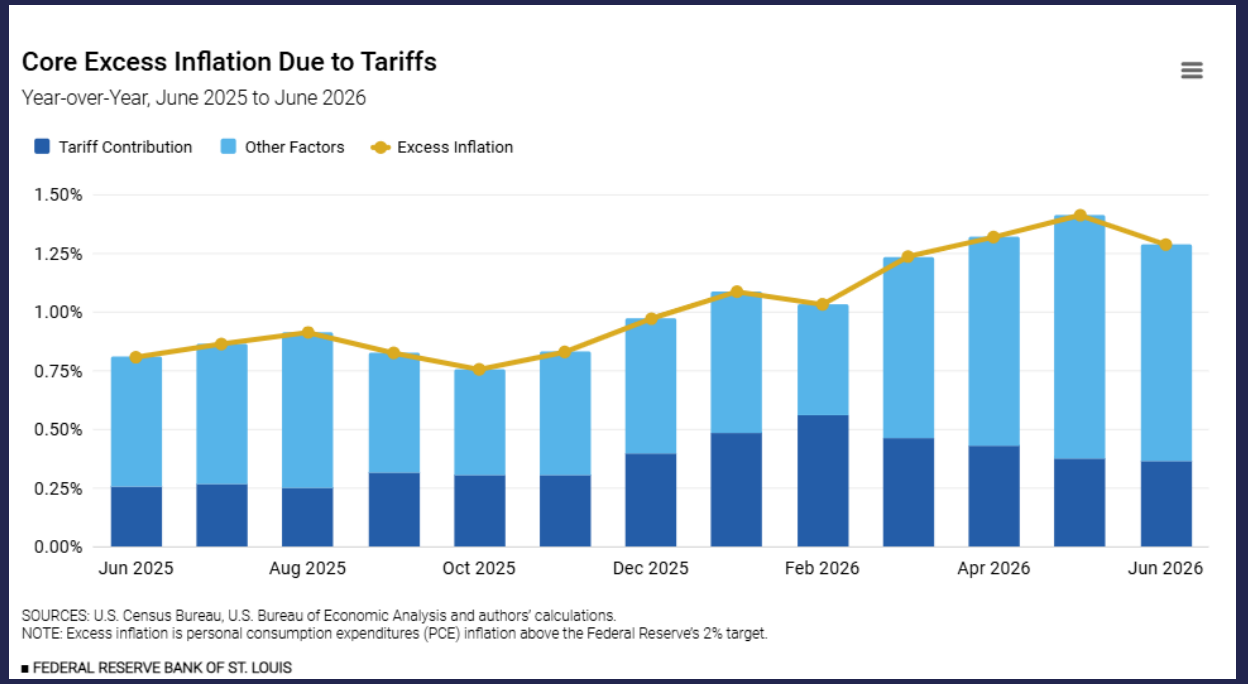
Federal Funds Rate highly correlated to Local Government Investment Pool (LGIP) yields

US Treasury Yield Curve



Tariffs

- Supreme Court rejected the administration sweeping tariffs under IEEPA in May 2026
- In July 2026 US pivot to tariffs in the 10%-12.5% range for 60 countries
- Special provisions for China and Canada
- Tariff revenue in 2025-2026:
  - $497.5B Gross Tariffs
  - ($150.2B) Refunds
  - $347.3 B Net

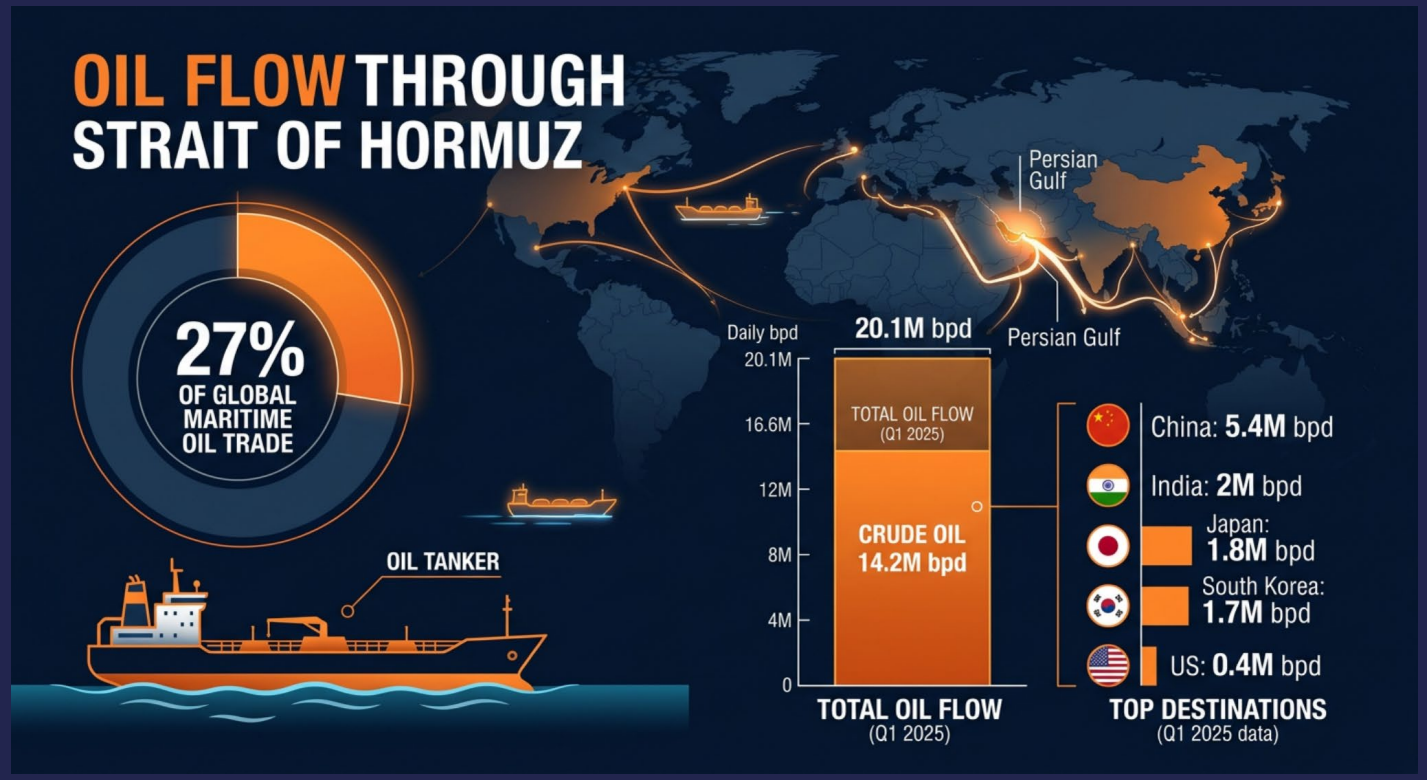


Iran Conflict – Strait of Hormuz

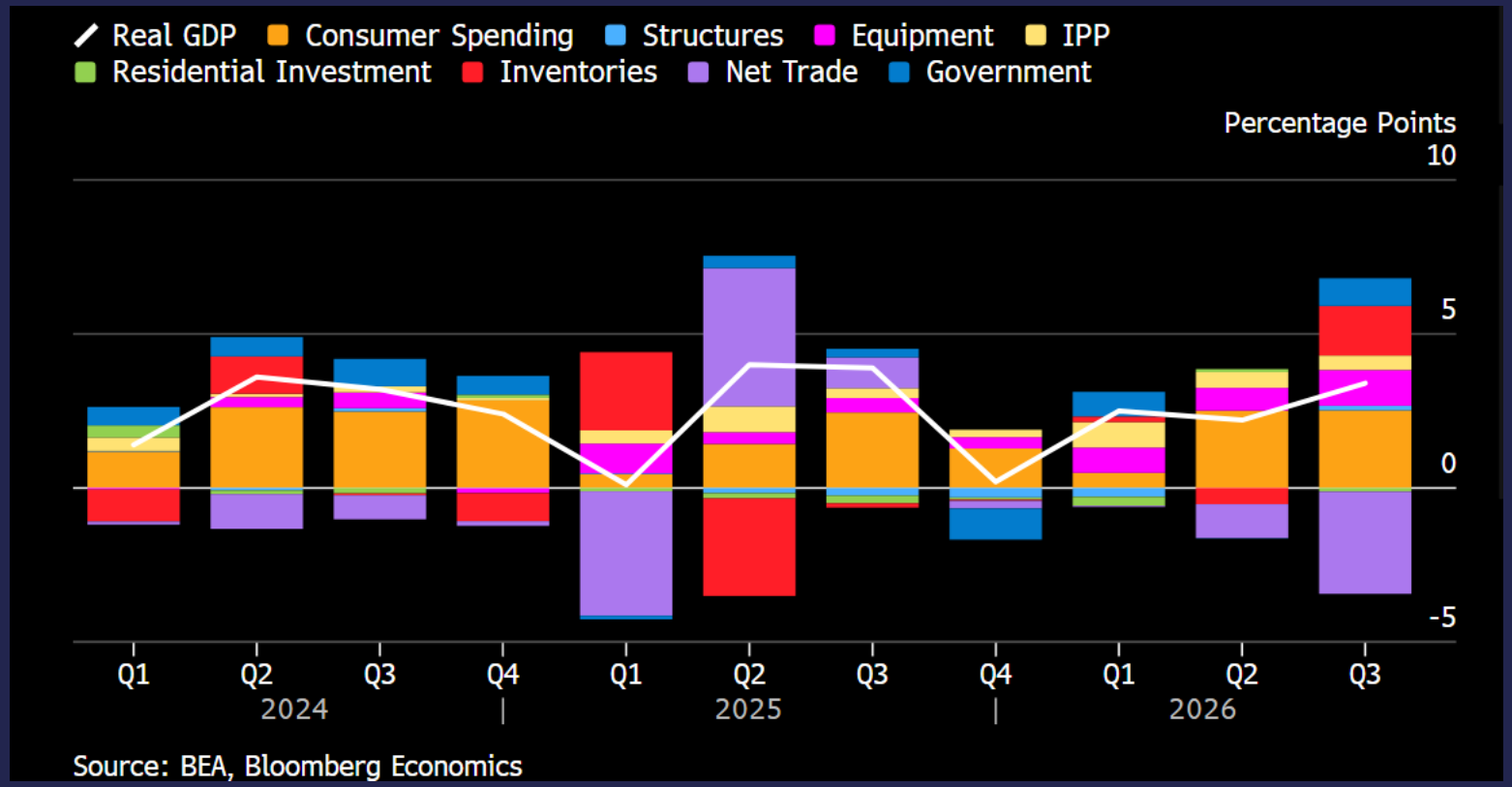
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Global Supply Chain Disruption

- Liquified Petroleum Gas, Fertilizers, Petrochemicals, Aluminum, and Helium
- Tanker rates and insurance rates
- Decline in United Arab Emirates investments in US as these countries repair damaged infrastructure and enhance country security
- Current diplomatic negotiations between US and Iran are easing oil prices – but continued volatility

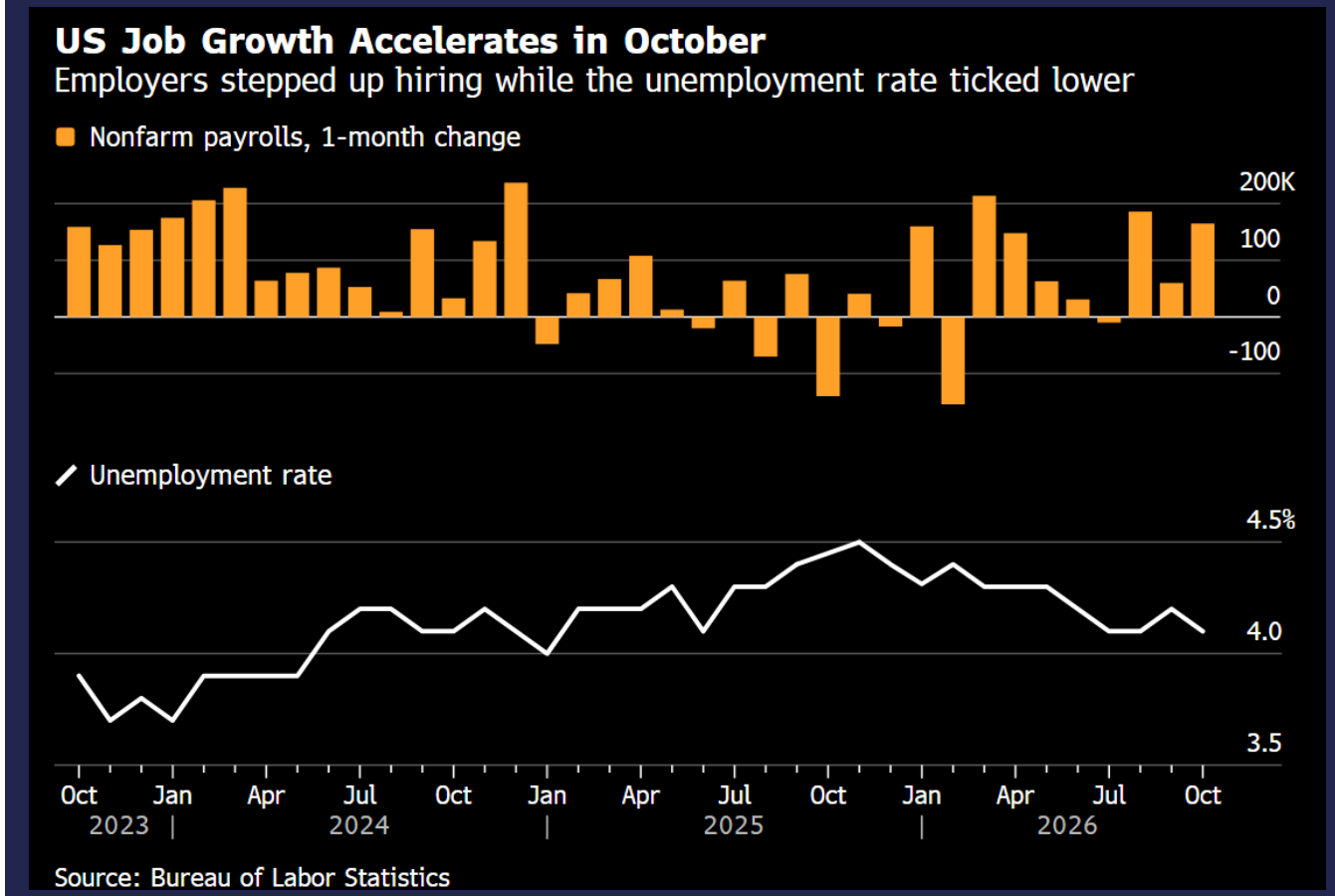


US Gross Domestic Product (GDP) October 29, 2026



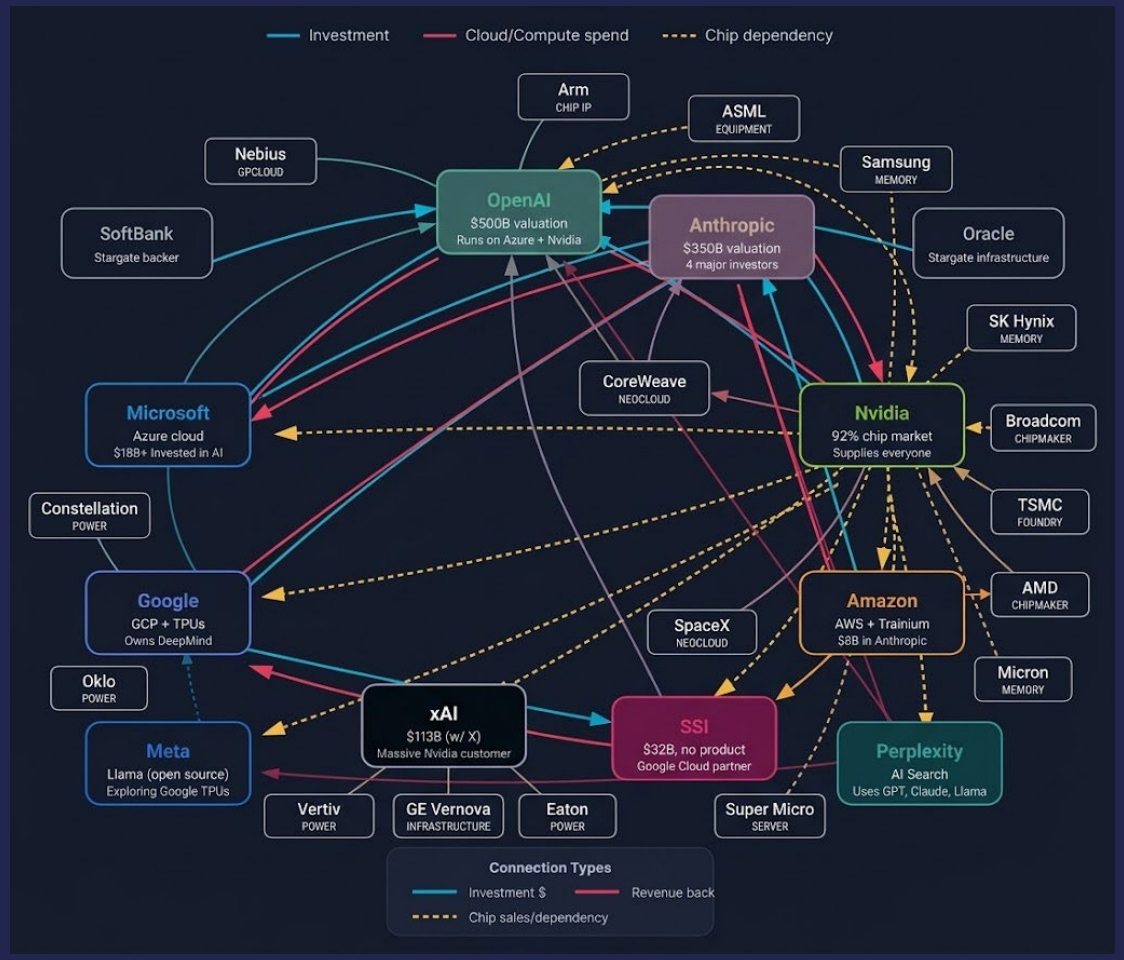
- Real GDP growth in 3Q increased to 3.4%
- Nonresidential fixed investment grew 12.7% on surges in industrial equipment and computer purchases
- Residential investment was weak due to high mortgage rates of over 7.4%
- Net trade lowered headline GDP by 3.32 ppts, partially offset by increase in inventories of 1.61ppts

Employment - Steady for Now



- October 2026 job report added 165K – and upwardly revised for two prior months – higher than all market expectations
- Average hourly earnings increased 3.1% on a Year Over Year basis – while improved, not keeping pace with inflation
- October 2026 unemployment rate dropped to 4.1% from 4.2% in September.
- The unemployment rate has been **below 5%** since September 2021

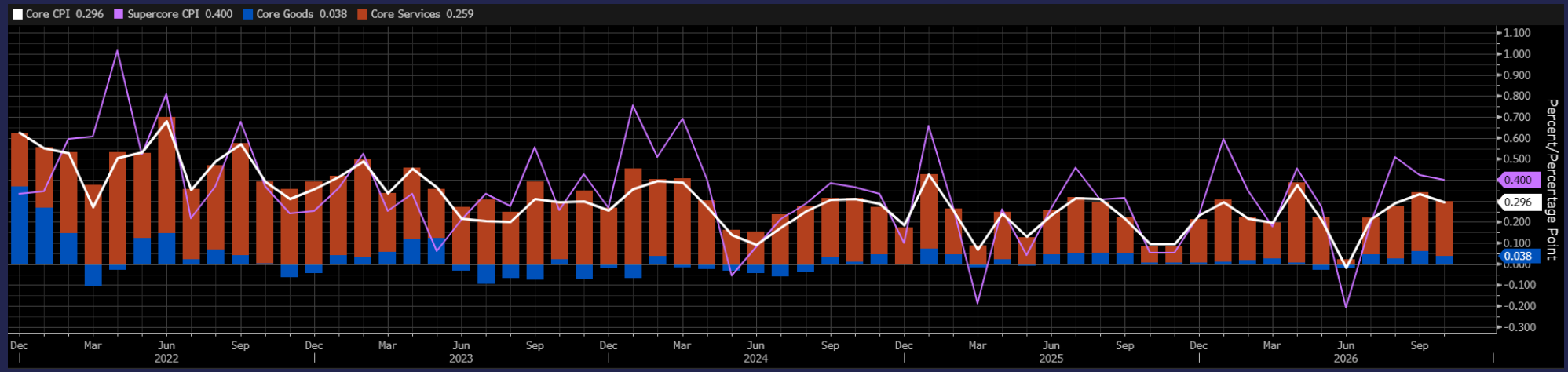
Artificial Intelligence



- MASSIVE capital expenditure expected $735 B in 2026 up from $388 B in 2025
- Enormous bond issuances adding pressure to longer-dated US Treasury note yields. 147 deals in 2026 for $297 B
- Potential slow down in pace of AI buildouts is pressuring credit and lowering estimate for future GDP
- Rouge AI incidents
- Future Regulations?

Persistent Inflation – CPI (November 10, 2026)

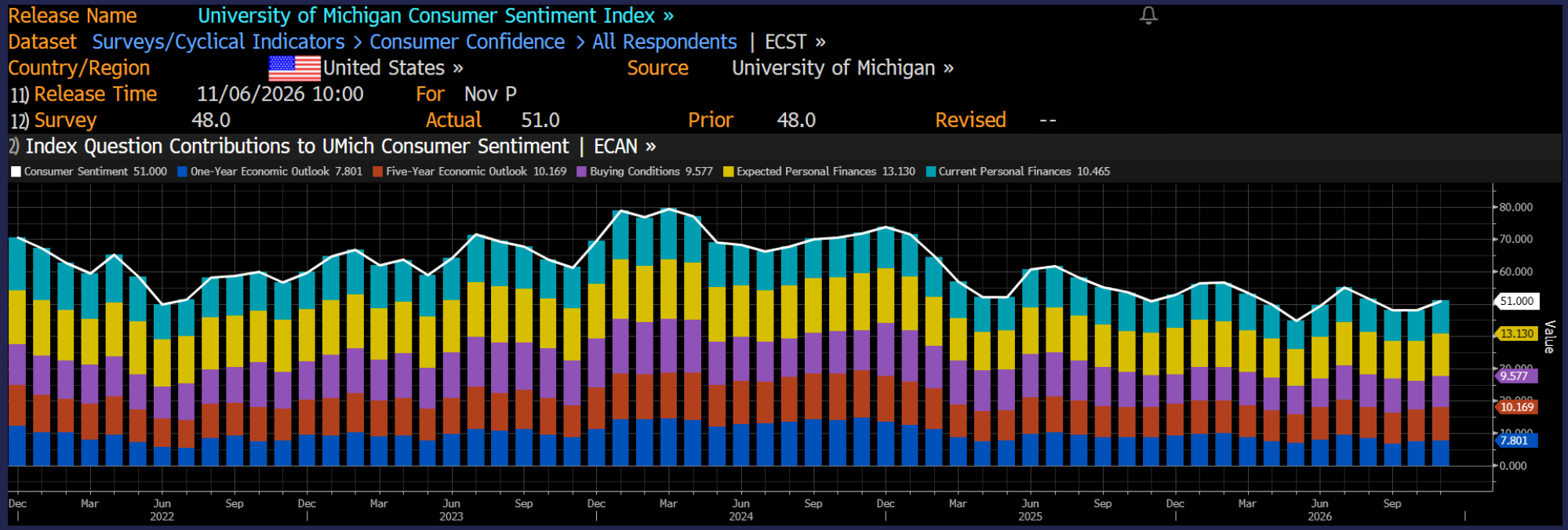
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- Consumer Price Index (CPI) rose 0.4% in October 2026, higher than expectations of 0.3% for the month
- Year over Year increase is interpolated to be an increase of 4.2% - higher than September's reading of 3.7%
- Wages have increased 3.1% - so consumers are feeling the pinch
- Increases were broad-based

Consumer Sentiment

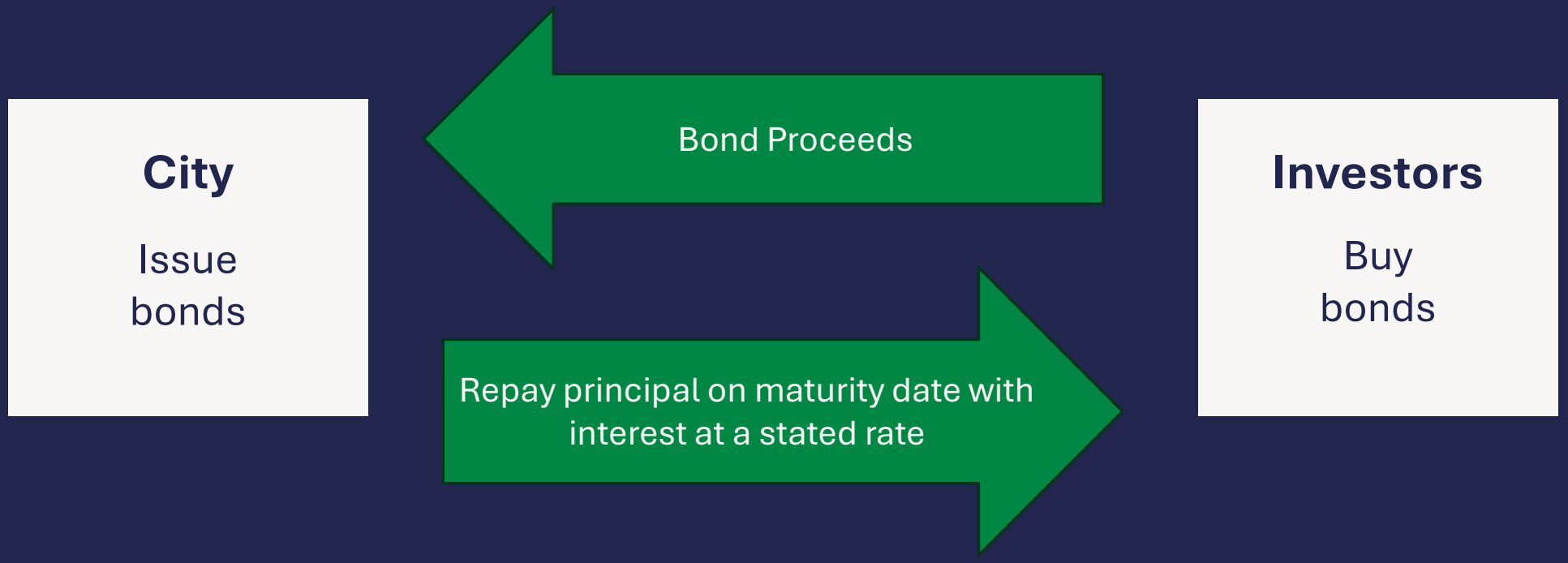
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- Consumer sentiment and “actual buying” can frequently diverge
- In November 2026, the near-term inflation expectations eased to 4.3% from 4.7%

Municipal Bonds

Municipal Bonds



Authority to Issue

Austin



Texas Constitution
Article 11, Section 5



State Law



City Charter
Art. VII Finance



Voters

Bond Sale Process



Types of Debt Issued by City

Austin

	Voter Authorized	Revenue Pledge	Purpose	Term
General Obligation Debt (GO)				
Public Improvement Bonds (PIBs)	Yes	Ad Valorem Tax Supported	Capital projects and infrastructure	20 years
Certificates of Obligation (COs)	No	Ad Valorem Tax Supported or Non-Tax Supported	Real Property; Off-cycle capital needs	20 years
Contractual Obligations (PPFCOs)	No	Ad Valorem Tax Supported or Non-Tax Supported	Vehicles; Equipment; IT	7 years
Revenue Bonds *Austin Airport, Austin Convention Center, Austin Energy, Austin Water, PIDs*	No	Payable from specific revenue source of enterprise department issuing revenue bonds (e.g., utility rates). Not secured by Ad Valorem Tax.	Capital projects and infrastructure	30 years
Short-Term Notes & Commercial Paper (CP) *Austin Airport, Austin Energy, Austin Water*	No	Payable from specific revenue source of enterprise department issuing revenue bonds (e.g., utility rates). Not secured by Ad Valorem Tax.	Short-term financing for interest savings	1-Year or Less

Austin has strong credit ratings

09/30/2026

Credit	Moody's	S&P	Fitch	Kroll
General Obligation (GO)	Aaa	AAA	AAA	—
Austin Water	Aa1	AA	AA	—
Austin Energy	Aa3	AA-	AA-	—
Airport	A1	A+	—	AA-
Convention Center – Senior Lien	Aa2	AA-	—	AA-







Austin

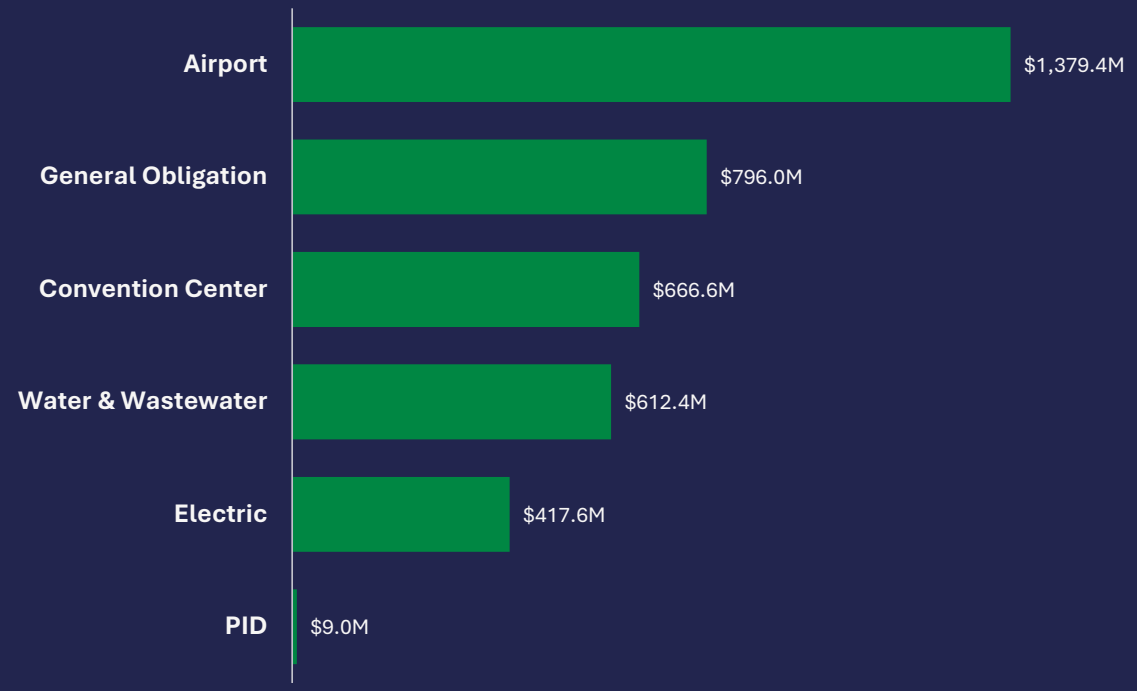
Austin is an active bond issuer in the municipal capital markets

- Austin is unique among Texas cities: issue bonds across every major credit, including general obligation, water, electric, airport and convention center.

- Austin Financial Services manages the City's comprehensive debt program, which includes issuing bonds to fund capital needs across general government and the enterprise systems, as well as post issuance and compliance activities.

FY2025-2026 Issuances by Credit

Par issued October 2025 to September 2026



$3.88B issued across 17 series

- **Airport:** AMT and Non-AMT, $1.38B (36%)
- **General Obligation:** five series(1), $796.05M (21%)
- **Convention Center(2):** Senior and Junior lien, $666.6 (17%)
- **Utility Revenue:** Water & Wastewater, $612.4 and Electric, $417.6M (26%, collectively)
- **PID:** Special Assessment Bonds, $9.0M (<1%)

(1) *Five series (PIRB, CO, PPFCO, Taxable PIB, Taxable CO) issued once per calendar year*
(2) *Includes City HOT Venue Refunding, which was issued in tandem with Convention Center*

City's Debt Position (September 30, 2026)

Austin



$2.2B
General Obligation Bonds

$2.1B
Electric Utility Bonds

$2.6B
Water/Wastewater Bonds

$2.4B
Airport Bonds

$676.1M
Convention Center Bonds

Projected Financings for FY 2026-2027

Austin

General Obligation (GO)

Annual GO sale: mix of PIBs, COs and PPFCOs, Refunding bonds as market permits

Convention Center

Second and final sale of new money expansion bonds to finish the convention center financing

Airport

Refunding bonds as market permits, New money issuance bonds

Austin Energy

Bonds to fund Austin Energy capital investments, refunding bonds as market permits

Austin Water

WIFIA loan, TWDB loan(s) and Austin Water bonds to fund the Walnut Creek Wastewater Treatment Plant and other system capital improvements, Refunding bonds as market permits

Indian Hills PID

PID bonds to finance public improvements in the Indian Hills Public Improvement District

Questions?