

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH [16], 2026**

**Ratings: Moody's: "\_\_\_"**  
**S&P: "\_\_\_"**  
**Fitch: "\_\_\_"**

**NEW ISSUE – Book-Entry-Only**

**(See “OTHER RELEVANT INFORMATION – Ratings” in this document.)**

*Delivery of the Bonds (as defined below) is subject to the receipt of the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City (defined below), to the effect that, assuming continuing compliance by the City with certain covenants contained in the Fifty-First Supplement (defined below) described in this document, interest on the Bonds will be excludable from gross income for purposes of federal income taxation, subject to the matters described under “TAX MATTERS” in this document, including the alternative minimum tax on certain corporations.*

**CITY OF AUSTIN, TEXAS**  
**[\$529,310,000] \***  
**WATER AND WASTEWATER SYSTEM REVENUE REFUNDING**  
**AND IMPROVEMENT BONDS, SERIES 2026**

**Interest to accrue from Date of Initial Delivery**

**Due: As shown on page ii**

The bonds offered in this document are the \$[529,310,000]\* City of Austin, Texas Water and Wastewater System Revenue Refunding and Improvement Bonds, Series 2026 (the “Bonds”). The Bonds are to be issued as “Parity Water/Wastewater Obligations” pursuant to an ordinance (the “Master Ordinance”) adopted by the City Council of the City of Austin, Texas (the “City”), on June 8, 2000, and a supplemental ordinance adopted by the City Council of the City on March 12, 2026 (the “Fifty-First Supplement”). The Master Ordinance and Fifty-First Supplement together are referred to in this document as the “Bond Ordinance.” The Fifty-First Supplement delegates to a designated “Pricing Officer” the authority to effect the sale of the Bonds, subject to the terms of the Fifty-First Supplement. See “INTRODUCTION” in this document. The Master Ordinance contains the terms for the issuance of Parity Water/Wastewater Obligations and the related covenants and security provisions. Commercial Paper Obligations (defined in this document) currently authorized, having a combined pledge of Electric Utility System and Water and Wastewater System net revenues may continue to be issued on a subordinate lien basis to the Parity Water/Wastewater Obligations.

The Bonds are special obligations of the City, payable as to both principal and interest solely from and, together with the Previously Issued Parity Water/Wastewater Obligations, equally and ratably secured by a lien on and pledge of the Net Revenues of the Water and Wastewater System, as provided in the Master Ordinance and the Fifty-First Supplement. Additionally, the Bonds and Previously Issued Parity Water/Wastewater Obligations referenced above are equally and ratably secured by a parity lien on the funds, if any, deposited to the credit of the Debt Service Fund (excluding any funds on deposit in the BAB Subsidy Subaccount, which was established for the exclusive benefit of the owners of the City’s Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds)). The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the Water and Wastewater System, except with respect to the Net Revenues.

**The holders of the Bonds do not have any right to moneys or other Reserve Fund Obligations held in the Reserve Fund.** See “SECURITY FOR THE BONDS – Bonds Not Secured by any Debt Service Reserve Fund” in this document.

**Neither the taxing power of the City nor the taxing power of the State of Texas (the “State”) is pledged as security for the Bonds.** See “SECURITY FOR THE BONDS” in this document.

**MATURITY SCHEDULE**

**See “Maturity Schedule” on page ii**

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof within a maturity. Interest on the Bonds shall accrue from the Date of Initial Delivery (defined below) of the Bonds and shall be payable on November 15, 2026 and each May 15 and November 15 thereafter until maturity or prior redemption. Interest to be paid on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act initially as securities depository for the Bonds, and individual purchases of the Bonds will be made in book-entry form only. See “DESCRIPTION OF THE BONDS” in this document.

The Bonds are offered for delivery when, as, and if issued and subject, among other things, to the opinions of the Attorney General of Texas and McCall, Parkhurst & Horton L.L.P., Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State. See “APPENDIX D - Form of Bond Counsel’s Opinion” in this document. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP, Austin, Texas as Disclosure Counsel for the City, and for the Underwriters by their counsel, Kassahn & Ortiz, P.C., San Antonio, Texas. The Bonds are expected to be available for delivery through the facilities of DTC on or about [April 21, 2026] (the “Date of Initial Delivery”).

**Raymond James**

**Mesirow Financial, Inc.**

**BofA Securities**

**Piper Sandler & Co.**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\* Preliminary, subject to change.

**CITY OF AUSTIN, TEXAS**  
**[\$529,310,000]\***  
**WATER AND WASTEWATER SYSTEM REVENUE REFUNDING**  
**AND IMPROVEMENT BONDS, SERIES 2026**

**Base CUSIP No. 052477 <sup>(1)</sup>**

**MATURITY SCHEDULE**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
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**(Interest to accrue from Date of Initial Delivery)**

**Redemption of the Bonds\***

The Bonds will be subject to optional redemption and mandatory sinking fund redemption as described in “DESCRIPTION OF THE BONDS – Optional Redemption of the Bonds” and “– Mandatory Sinking Fund Redemption of the Bonds” in this document.

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

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\* Preliminary, subject to change.

**CITY OF AUSTIN**

**Elected Officials**

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

**Appointed Officials**

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

**BOND COUNSEL**

McCall, Parkhurst & Horton L.L.P.  
Austin and Dallas, Texas

**DISCLOSURE COUNSEL FOR THE CITY**

Orrick, Herrington & Sutcliffe LLP  
Austin, Texas

**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC  
Austin, Texas

**INDEPENDENT AUDITORS**

Deloitte & Touche LLP  
Austin, Texas

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**SELECTED FINANCIAL INFORMATION**

**Water and Wastewater System**

The selected financial information below presents selected historical information related to the Water and Wastewater System of the City. The financial information for the fiscal years ended September 30, 2021 through September 30, 2025 is derived from the City’s audited financial statements for the respective fiscal years. This information should be read in conjunction with the audited financial statements included in “APPENDIX B – AUDITED FINANCIAL STATEMENTS” in this document.

The historical financial information includes debt service on obligations issued under a prior lien of the Combined Utility Systems (comprised of the City’s Electric Utility System and Water and Wastewater System) that is now closed (the “Prior Combined Utility System Lien”), under which Prior First Lien and Prior Subordinate Lien Obligations secured by joint and several pledges of the Net Revenues of both the Water and Wastewater System and the Electric Utility System were issued. **As of May 15, 2025, all Prior Combined Utility System Lien obligations had matured and, pursuant to the Master Ordinance, no additional revenue obligations payable from the same sources and secured in the same manner as the Prior Combined Utility System Lien obligations are permitted to be issued.** Commercial Paper Obligations currently authorized, having a combined pledge of Net Revenues of the Combined Utility Systems, may continue to be issued on a subordinate lien basis to the Parity Water/Wastewater Utility Obligations.

**Operating Summary of the Water and Wastewater System**

	Fiscal Year Ended September 30 (\$000’s)				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Gross Revenues	\$762,247	\$664,657	\$657,637	\$628,877	\$568,031
Maintenance and Operating Expenses	<u>405,173</u>	<u>376,152</u>	<u>330,549</u>	<u>295,748</u>	<u>272,750</u>
Net Revenues	<u>\$357,074</u>	<u>\$288,505</u>	<u>\$327,088</u>	<u>\$333,129</u>	<u>\$295,281</u>
Principal and Interest paid by the Water and Wastewater System on Prior Lien Obligations of the Combined Utility Systems <sup>(1)</sup>	\$4,082	\$5,069	\$5,142	\$5,404	\$3,856
Net Revenues Available for Parity Water/Wastewater Obligations <sup>(2)</sup>	<u>\$352,992</u>	<u>\$283,436</u>	<u>\$321,946</u>	<u>\$327,725</u>	<u>\$291,425</u>
Principal and Interest on Parity Water/Wastewater Obligations	\$151,295	\$149,341	\$171,453	\$154,228	\$169,144
Debt Service Coverage Parity Water/Wastewater Obligations <sup>(2)</sup>	2.33x	1.90x	1.88x	2.12x	1.72x

(1) The Bonds, the Previously Issued Parity Water/Wastewater Obligations, and any additional Parity Water/Wastewater Obligations issued in the future under the Master Ordinance are (a) “Separate Lien Obligations” under the Prior Subordinate Lien Ordinance (as defined in this document) and (b) equally and ratably secured, by the Net Revenues of the City’s Water and Wastewater System.

(2) Preliminary. See “PRO FORMA DEBT SERVICE REQUIREMENTS OF THE WATER AND WASTEWATER SYSTEM” and “OTHER RELEVANT INFORMATION – Independent Auditors” in this document.

*[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]*

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), this document constitutes an “official statement” of the City with respect to the Bonds that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by the Rule.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED TO THIS OFFICIAL STATEMENT, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

No dealer, broker, salesman or any other person has been authorized by the City or by the underwriters of the Bonds identified on the cover page of this document (the “Underwriters”) to give any information or to make any representations, other than the information and representations contained in this document, in connection with the offering of the Bonds, and, if given or made, such 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, and there shall not be any sale of, any of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion contained in this document are subject to change without notice and neither the delivery of this Official Statement nor any sale made that references this document shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of this document. The delivery of this Official Statement at any time does not imply that the information in this document is correct as to any time subsequent to its date. See “CONTINUING DISCLOSURE OF INFORMATION” in this document for a description of the City’s undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (“SEC”) AND CONSEQUENTLY HAVE NOT BEEN REGISTERED WITH THE SEC. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED FROM REGISTRATION SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE OF THE BONDS.

CUSIP numbers have been assigned to this issue by FactSet Research Systems Inc. and none of the City, the Municipal Advisor, or the Underwriters are responsible for the selection or correctness of CUSIP numbers.

The City, the Municipal Advisor, and the Underwriters do not make any representation regarding the information contained in this Official Statement regarding DTC or its book-entry-only system, as such information has been furnished by DTC. Neither the City nor the Municipal Advisor make any representations regarding the information concerning the Underwriters contained in this document in “OTHER RELEVANT INFORMATION – Underwriting.”

This Official Statement contains “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. **Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.** See “OTHER RELEVANT INFORMATION – Forward-Looking Statements” in this document.

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.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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## OFFICIAL STATEMENT

Relating to

CITY OF AUSTIN, TEXAS

[\$529,310,000]\*

### WATER AND WASTEWATER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2026

#### INTRODUCTION

This Official Statement, which includes the cover page, Schedule I and the appendices, is being furnished in connection with the proposed issuance by the City of Austin, Texas (the “City”), of its [\$529,310,000]\* City of Austin, Texas Water and Wastewater System Revenue Refunding and Improvement Bonds, Series 2026 (the “Bonds”). The Bonds are authorized to be issued pursuant to the authority conferred by the laws of the State of Texas (the “State”), an ordinance adopted by the City Council of the City on June 8, 2000 (the “Master Ordinance”) providing the terms upon which Parity Water/Wastewater Obligations (as defined in the Master Ordinance) are to be issued and the covenants and security provisions related thereto, and a supplemental ordinance adopted by the City Council of the City on March 12, 2026 (the “Fifty-First Supplement”). The Master Ordinance and the Fifty-First Supplement are collectively referred to in this document as the “Bond Ordinance.” The Fifty-First Supplement delegates to a designated “Pricing Officer” the authority to effect the sale of the Bonds, subject to the terms of the Fifty-First Supplement. **Capitalized terms not otherwise defined in this document have the meanings assigned in the Bond Ordinance. See APPENDIX C in this document.**

References to website addresses presented in this document are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless otherwise specified in this document, references to websites and the information or links contained in this document are not incorporated into, and are not part of, this document. As used in this document, “FY” refers to the fiscal year of the City, which encompasses the twelve-month period commencing on October 1 and ending on the following September 30.

All outstanding revenue obligations of the City’s water and wastewater utility system (defined in this document as the “Water and Wastewater System,” “Water and Wastewater Utility” or “Austin Water”) are Parity Water/Wastewater Utility Obligations, or obligations subordinate to the outstanding Parity Water/Wastewater Utility Obligations (including Commercial Paper Obligations), and shall be payable only from and secured only by a lien on, and pledge of, the Net Revenues of the Water and Wastewater Utility System and the revenues deposited to the credit of the accounts and funds established and maintained as required by the supplemental ordinances providing for their issuance. The Master Ordinance governs the issuance of Parity Water/Wastewater Utility Obligations and contains related covenants and security provisions. Special Facilities Debt and Subordinated Debt (each as defined in the Master Ordinance) may be incurred by the City without limitation. The City has issued, and there currently remains outstanding, Commercial Paper Obligations secured by a joint and several pledge of the Net Revenues of the City’s Combined Utility Systems.

**The City has previously issued Prior First Lien Obligations and Prior Subordinate Lien Obligations, but no such obligations are currently outstanding and, pursuant to the Master Ordinance, no such additional obligations may be issued in the future.**

#### PLAN OF FINANCING

##### General

The proceeds of the Bonds, together with any other lawfully available funds of the City, will be used for the purpose of (i) refunding outstanding tax-exempt commercial paper notes issued for the Water and Wastewater System (the “Refunded Notes”), (ii) refunding certain outstanding Parity Water/Wastewater Obligations (the “Refunded Bonds,” as more specifically described in “SCHEDULE I – SUMMARY OF REFUNDED BONDS”), (iii) funding capital improvements of

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\* Preliminary, subject to change.

the Water and Wastewater System, and (iv) paying costs of issuance incurred in connection with the issuance of the Bonds. The refunding of the Refunded Notes and the Refunded Bonds is contingent upon the delivery of the Bonds.

### **Refunding of Outstanding Commercial Paper Notes**

The Bonds are being issued in part to refund \$[450,000,000]\* in aggregate principal amount of the Refunded Notes. The issuance of the Bonds will restore a portion of the City's available capacity under its \$600,000,000 tax-exempt commercial paper note program that has been established for the Combined Utility Systems (as described further in "COMMERCIAL PAPER NOTE PROGRAMS" in this document). Any interest on the Refunded Notes is expected to be paid from available revenues of the Water and Wastewater System.

Proceeds from the sale of the Bonds, together with other available funds of the City, will be deposited with the issuing and paying agent for the Refunded Notes (the "CP Issuing and Paying Agent") in the amount necessary to accomplish the discharge, defeasance and final payment of the Refunded Notes in accordance with the terms of the ordinance authorizing the issuance thereof. The principal of and interest on all of the Refunded Notes will be paid on the date of delivery of the Bonds, which is the scheduled maturity date of the Refunded Notes, from amounts deposited with the CP Issuing and Paying Agent.

### **Refunded Bonds**

The Refunded Bonds, and interest due on the Refunded Bonds, are to be paid on their scheduled interest payment dates and the maturity or redemption dates of such Refunded Bonds from funds to be deposited pursuant to an Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank Trust Company, National Association, Irving, Texas (the "Escrow Agent"). The Fifty-First Supplement provides that a portion of the proceeds of the sale of the Bonds, together with other lawfully available funds of the City, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, including direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, and noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities") to be held in the Escrow Fund. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Robert Thomas, CPA, LLC (the "Verification Agent"), a nationally recognized accounting firm, will verify at the time of delivery of the Bonds the mathematical accuracy of the schedules that demonstrate that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities, and other uninvested funds in the Escrow Fund will not be available to pay the debt service on the Bonds. See "OTHER RELEVANT INFORMATION – Verification of Arithmetical and Mathematical Calculations" in this document.

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have entered into firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds, in accordance with applicable law. As a result of such firm banking and financial arrangements, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed outstanding for the purpose of any limitation on debt or the pledge of Net Revenues.

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\* Preliminary, subject to change.

### SOURCES AND USES OF FUNDS

The sources and uses of funds for the Bonds, together with funds contributed by the City, are as follows.

**Sources of Funds:**

Par Amount of the Bonds  
[Net] Original Issue Premium  
Contribution from Refunded Bonds' Debt Service Account  
**Total**

**Uses of Funds:**

Refunding of Commercial Paper Notes  
Deposit to Escrow Fund for Refunded Bonds  
Deposit to Project Fund  
Costs of Issuance <sup>(1)</sup>  
Underwriters' Discount  
**Total**

- (1) \_\_\_\_\_  
(1) Costs of Issuance includes the fees of bond counsel, disclosure counsel, municipal advisor, rating agencies, the Paying Agent/Registrar, escrow and verification agents and certain other bond issuance costs.

*[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]*

**DEBT PAYABLE FROM WATER AND WASTEWATER SYSTEM REVENUE**  
**(As of Date of Delivery)**

<u>Parity Water/Wastewater Obligations (a)</u>	\$2,679,630,000
<u>Commercial Paper and Direct Purchase Notes (b)</u>	-
<u>General Obligation Bonds (c)</u>	10,854,135
<u>Assumed Municipal Utility District Obligations (d)</u>	<u>579,381</u>
TOTAL	\$2,691,063,516

See "SECURITY FOR THE BONDS" in this document.

- (a) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change. See "PLAN OF FINANCING" in this document. Preliminary, subject to change.
- (b) Excludes the Refunded Notes \$[450,000,000] being refunded by the Bonds. Preliminary, subject to change. See "PLAN OF FINANCING," "COMMERCIAL PAPER NOTE PROGRAMS" and "SECURITY FOR THE BONDS" in this document. . Preliminary, subject to change.
- (c) General Obligation Bonds include certain Contractual Obligations and Public Improvement Bonds of the City that are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Water and Wastewater System. See "THE CITY – Past Annexation."
- (d) Such bonds are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Water and Wastewater System. See "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Services Financed by Utility Districts."

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**PRO FORMA DEBT SERVICE REQUIREMENTS OF THE WATER AND WASTEWATER SYSTEM**

Fiscal Year Ending 9/30	Existing Parity	Less:		Total Parity		GO Bonds &	Total
	Water & Wastewater System Obligations <sup>(a)</sup>	The Refunded Bonds <sup>(b)</sup>	The Series 2026 Bonds <sup>(b)</sup>		Water & Wastewater System Obligations <sup>(b)</sup>	Assumed MUD Obligations <sup>(c)</sup>	Water & Wastewater System Obligations <sup>(b)</sup>
			Principal	Interest			
2026	\$ 167,833,081	\$ 235,814	\$ -	\$ -	\$ 167,597,267	\$ 741,370	\$ 168,338,637
2027	161,979,440	3,537,208	-	28,229,867	186,672,099	138,385	186,810,484
2028	176,955,422	7,312,208	4,035,000	26,364,625	200,042,840	133,285	200,176,125
2029	200,816,625	10,493,839	7,500,000	26,076,250	223,899,036	139,878	224,038,914
2030	203,348,260	13,374,019	5,580,000	25,749,250	221,303,491	139,743	221,443,234
2031	172,105,835	5,692,375	3,875,000	25,512,875	195,801,335	137,753	195,939,088
2032	159,939,313	5,684,000	12,570,000	25,101,750	191,927,063	32,976	191,960,039
2033	159,971,946	5,688,125	13,215,000	24,457,125	191,955,946	3,131	191,959,077
2034	159,869,738	12,865,125	21,260,000	23,595,250	191,859,863	-	191,859,863
2035	159,671,733	12,860,000	22,345,000	22,505,125	191,661,858	-	191,661,858
2036	158,977,845	12,461,750	23,080,000	21,369,500	190,965,595	-	190,965,595
2037	156,982,092	10,608,750	22,360,000	20,233,500	188,966,842	-	188,966,842
2038	142,853,231	-	12,720,000	19,356,500	174,929,731	-	174,929,731
2039	134,989,671	-	13,375,000	18,704,125	167,068,796	-	167,068,796
2040	134,549,446	-	14,060,000	18,018,250	166,627,696	-	166,627,696
2041	122,094,793	-	14,780,000	17,297,250	154,172,043	-	154,172,043
2042	110,962,465	-	15,540,000	16,539,250	143,041,715	-	143,041,715
2043	100,280,454	-	16,335,000	15,742,375	132,357,829	-	132,357,829
2044	88,888,961	-	17,175,000	14,904,625	120,968,586	-	120,968,586
2045	64,385,577	-	18,055,000	14,023,875	96,464,452	-	96,464,452
2046	62,740,174	-	18,980,000	13,098,000	94,818,174	-	94,818,174
2047	50,354,489	-	19,955,000	12,124,625	82,434,114	-	82,434,114
2048	43,258,171	-	20,975,000	11,101,375	75,334,546	-	75,334,546
2049	43,253,051	-	22,050,000	10,025,750	75,328,801	-	75,328,801
2050	43,266,591	-	23,185,000	8,894,875	75,346,466	-	75,346,466
2051	42,726,689	-	24,370,000	7,706,000	74,802,689	-	74,802,689
2052	30,739,816	-	25,625,000	6,456,125	62,820,941	-	62,820,941
2053	23,674,768	-	26,935,000	5,142,125	55,751,893	-	55,751,893
2054	16,287,250	-	28,315,000	3,760,875	48,363,125	-	48,363,125
2055	-	-	29,765,000	2,308,875	32,073,875	-	32,073,875
2056	-	-	31,295,000	782,375	32,077,375	-	32,077,375
	<u>\$ 3,293,756,927</u>	<u>\$ 100,813,211</u>	<u>\$ 529,310,000</u>	<u>\$ 485,182,367</u>	<u>\$ 4,207,436,082</u>	<u>\$ 1,466,521</u>	<u>\$ 4,208,902,603</u>

(a) Existing debt service shown in the table excludes debt service on Commercial Paper Obligations. See "PLAN OF FINANCING" in this document.

(b) Preliminary, subject to change.

(c) Assumed municipal utility district ("MUD") obligations and General Obligation bonds are secured by City ad valorem taxes but are currently being paid from surplus Net Revenues of the Water and Wastewater System.

## SECURITY FOR THE BONDS

### Pledges of Net Revenues

The Bonds are to be issued as Parity Water/Wastewater Obligations of the City's Water and Wastewater System. The Master Ordinance and the Fifty-First Supplement pledge the Net Revenues of the Water and Wastewater System to the payment of the "Parity Water/Wastewater Obligations" (which consist of the Previously Issued Parity Water/Wastewater Obligations, the Bonds, and additional parity obligations issued and to be issued under the Master Ordinance). The Parity Water/Wastewater Obligations are equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water and Wastewater System.

Additionally, the Bonds and Previously Issued Parity Water/Wastewater Obligations are, and future Parity Water/Wastewater Obligations may be, equally and ratably secured by a parity lien on the funds, if any, deposited to the credit of the Debt Service Fund and, if applicable, any special fund or funds created and maintained for the payment and security of the Parity Water/Wastewater Obligations pursuant to any Supplemental Ordinance (excluding any funds on deposit in the BAB Subsidy Subaccount, which was established for the exclusive benefit of the owners of the City's Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds) (the "Taxable Series 2010B Bonds") issued as Parity Water/Wastewater Obligations), and funds on deposit in any construction fund maintained and established with the proceeds of the sale of Parity Water/Wastewater Obligations pending expenditure in accordance with the terms of the Master Ordinance and any Supplemental Ordinance.

Pursuant to the terms of the Master Ordinance, any additional obligations payable from and secured by a lien on the Net Revenues of the Water and Wastewater System must satisfy the covenants with respect thereto in the Master Ordinance.

*Federal Subsidy on Build America Bonds* . . . Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act, 2 U.S.C. 901a, as amended, certain automatic reductions took place as of March 1, 2013. The required reductions included a reduction to refundable credits under section 6341 of the Internal Revenue Code applicable to certain qualified bonds, including Build America Bonds. The sequester reduction applied to any section 6431 amounts claimed by an issuer on any Form 8038-CP filed with the U.S. Treasury that results in a payment to such issuer on or after March 1, 2013. Since October 1, 2013, direct pay bond subsidy payments processed from and after October 1, 2013 have been reduced by a sequestration rate that is determined at the beginning of each federal fiscal year, which is the 12-month period from October 1 to September 30. **The sequestration rate for federal fiscal year 2026 is 5.7%. Under the current federal budget process the sequestration rate will remain 5.7% through federal fiscal year 2031** unless Congress takes additional action to change or eliminate the sequestration percentage. The Taxable Series 2010B Bonds are the only obligations of the City secured by the Net Revenues of the Water and Wastewater System that are payable in part from the federal subsidy payments to be received pursuant to the "Build America Bond" program. The City is not aware of any funding impacts from sequestration on the City's Water and Wastewater System other than the change in the federal subsidy payment received by the City for the interest due on the Taxable Series 2010B Bonds. The City makes no representation as to whether the federal subsidy payments will be restored to the levels prior to the reduction of the subsidy described in this section, or whether future reductions in the subsidy may occur at any time while the Taxable Series 2010B Bonds are outstanding.

### Rate Covenant Required by Master Ordinance

In the Master Ordinance, the City has agreed to fix, establish, maintain and collect such rates, charges and fees for water and wastewater services furnished by the Water and Wastewater System and to the extent legally permissible, revise such rates, charges and fees to produce Gross Revenues in each Fiscal Year sufficient: (i) to pay all current Operating Expenses, (ii) to produce Net Revenues, equal to the greater of either (x) an amount to pay the actual annual debt service due and payable in such Fiscal Year of the then Outstanding Parity Water/Wastewater Obligations or (y) an amount, when added to Other Available Water and Wastewater System Revenues, that would pay 125% of Annual Debt Service Requirements due and payable in such Fiscal Year of the then Outstanding Parity Water/Wastewater Obligations, and (iii) to pay after deducting the amounts determined in (i) and (ii) above, all other financial obligations of the Water and Wastewater System reasonably anticipated to be paid from Gross Revenues.

If the Net Revenues in any Fiscal Year are less than the aggregate amount specified above, the City shall promptly upon receipt of the annual audit for such Fiscal Year cause such rates and charges to be revised and adjusted to comply with this covenant or obtain a written report from a Utility System Consultant after a review and study of the operations of the Water and Wastewater System has been made concluding that, in their opinion, the rates and charges then in effect for the current

Fiscal Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with such rate covenant and such adjustments and revisions to water and wastewater rates and charges are promptly implemented and enacted in accordance with such Utility System Consultant's report. Notwithstanding anything in the Master Ordinance to the contrary, the City shall be deemed to be in compliance with such rate covenant in the Master Ordinance if either of the actions mentioned in the preceding sentence are undertaken and completed prior to the end of the Fiscal Year next following the Fiscal Year the deficiency in Net Revenues occurred.

#### **Bonds Not Secured by any Debt Service Reserve Fund**

The Master Ordinance creates and establishes the "Water/Wastewater System Revenue Obligation Reserve Fund" (the "Reserve Fund"). The City may fund the Reserve Fund with respect to a series of Parity Water/Wastewater Obligations in accordance with the terms of the Master Ordinance and the provisions of any Supplemental Ordinance. The City, in accordance with the provisions of any Supplemental Ordinance, may choose **not** to fund the Reserve Fund in connection with the issuance of Parity Water/Wastewater Obligations issued under the terms of such Supplemental Ordinance.

**Pursuant to the terms of the Fifty-First Supplement, the City has determined not to fund the Reserve Fund in connection with the issuance of the Bonds, and therefore, the holders of the Bonds do not have any right to any moneys or any other Reserve Fund Obligations held in the Reserve Fund.**

The City has determined to fund the Reserve Fund in connection with the prior issuance of certain Parity Water/Wastewater Obligations. After giving effect to the refunding of the Refunded Bonds, the Reserve Fund will secure the Parity Water/Wastewater Obligations with the following series designations: Series 2010 and Series 2010B (Direct Subsidy – Build America Bonds).

Additionally, beginning in 2016, certain Parity Water/Wastewater Obligations have been issued as direct placement bonds purchased by the Texas Water Development Board (the "TWDB") and have been secured by separate and distinct reserve funds, pursuant to the lending requirements of the TWDB. Such reserve funds have been funded in amounts equal to average annual debt service on each series of bonds purchased by the TWDB and are not available for payment of, and do not in any manner secure the Bonds or obligations secured by the Reserve Fund established under the Master Ordinance. See "DEBT PAYABLE FROM WATER AND WASTEWATER SYSTEM REVENUE" and "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Future Capital Improvements for Water and Wastewater System" in this document.

The Reserve Fund shall be maintained for the benefit of the owners of only the Parity Water/Wastewater Obligations secured by the Reserve Fund. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the City. Reserve Fund Obligations in the Reserve Fund shall be used for the purpose of retiring the last of the related Parity Water/Wastewater Obligations secured by the Reserve Fund as they become due or paying principal of and interest on the applicable Parity Water/Wastewater Obligations when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose.

The amount to be accumulated and maintained in the Reserve Fund is required to be an amount equal to 50% of the average Annual Debt Service Requirements of the Parity Water/Wastewater Obligations (Series 2010 and Series 2010B (Direct Subsidy – Build America Bonds)) secured by the Reserve Fund (the "Required Reserve Amount"). As of \_\_\_\_\_, the Required Reserve Amount is approximately \$ \_\_\_\_\_ and is funded entirely with cash.

The City may, at its option, withdraw and transfer to the Debt Service Fund all surplus in the Reserve Fund over the Required Reserve Amount. The City may replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, the cash or Eligible Investments on deposit in the Reserve Fund, taken together with the face amount of any existing Credit Facilities, in excess of the Required Reserve Amount may be withdrawn by the City, at its option, and transferred to the System Fund unless such excess was funded with the proceeds of sale of Parity Water/Wastewater Obligations in which case such excess shall be deposited to the credit of the Debt Service Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer.

If the City is required to make a withdrawal from the Reserve Fund, the City shall promptly notify the issuer of a Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys and cash resulting from the sale or liquidation of Eligible Investments then on deposit in the Reserve Fund, and NEXT from a drawing under any Credit Facility to the extent of such deficiency. In the event of a draw on a Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw, in accordance with the terms

of any agreement pursuant to which the Credit Facility is issued, from Net Revenues; however, such reimbursement from Net Revenues shall be subject to the following paragraph and, dependent on the terms of the Credit Facility, may be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Water/Wastewater Obligations.

In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Reserve Amount, then the City shall, subject to satisfying or making provision for the uses having a priority on the Gross Revenues before any deposits for the payment and security of the Parity Water/Wastewater Obligations and after making required deposits to the Debt Service Fund in accordance with the terms of the Master Ordinance and any Supplemental Ordinance, cause the aggregate Required Reserve Amount then required to be on deposit in the Reserve Fund to be fully restored within 12 months from the date such deficiency, termination or expiration occurred by (i) making substantially equal cash deposits to the Reserve Fund on or before the last day of each month from the available Net Revenues, (ii) depositing Eligible Investments or a Credit Facility to the credit of the Reserve Fund or (iii) a combination of (i) and (ii).

As Parity Water/Wastewater Obligations secured by the Reserve Fund are paid, redeemed or defeased and cease to be Outstanding under the terms of the Master Ordinance or a Supplemental Ordinance, the Required Reserve Amount may be recalculated and redetermined, and any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the City, to (i) the System Fund, if an amount equal to such excess was funded with Net Revenues, or (ii) the Debt Service Fund.

#### **No Outstanding Prior First Lien Obligation or Prior Subordinate Lien Obligations**

The City has previously issued Prior First Lien Obligations and Prior Subordinate Lien Obligations, but no such obligations are currently outstanding. Pursuant to the Master Ordinance, no additional Prior First Lien Obligations or Prior Subordinate Lien Obligations may be issued in the future.

The Master Ordinance provides that no additional revenue obligations will be issued with a lien on the Net Revenues of both the Electric Utility System and the Water and Wastewater System on a parity with the Prior Subordinate Lien Obligations.

#### **Issuance of Parity Water/Wastewater Obligations**

Under the Master Ordinance, the City reserves the right and power to issue or incur Parity Water/Wastewater Obligations for any purpose authorized by law. The City may issue, incur, or otherwise become liable in respect of any Parity Water/Wastewater Obligations if: (i) a Designated Financial Officer shall execute a certificate stating that, to his or her knowledge, the City is in compliance with all covenants contained in the Master Ordinance and any Supplemental Ordinance, is not in default in the performance and observance of any of the terms, provisions and conditions contained in the Master Ordinance and any Supplemental Ordinance, and the Funds and Accounts securing the Parity Water/Wastewater Obligations then Outstanding as established in accordance with the terms of the Master Ordinance and any Supplemental Ordinance contain the amount then required to be deposited in this document or the proceeds of the sale of the Parity Water/Wastewater Obligations then to be issued are to be used to cure any deficiency in the amounts on deposit to the credit of such Funds and Accounts; and (ii) an Accountant shall certify or render an opinion to the effect that, for the last completed Fiscal Year preceding the date of the then proposed Parity Water/Wastewater Obligations, or for any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Water/Wastewater Obligations, the Net Revenues of the Water and Wastewater System, together with Other Available Water and Wastewater Revenues (see "SECURITY FOR THE BONDS – Surplus Revenue Account" in this document), are equal to 1.25 times the average Annual Debt Service Requirements of the Parity Water/Wastewater Obligations to be Outstanding, after giving effect to the issuance of the then proposed Parity Water/Wastewater Obligations. The Bonds are being issued in satisfaction of the requirements described in this paragraph.

For purposes of the Accountant's certification or opinion noted in clause (ii) above, if Parity Water/Wastewater Obligations are issued to refund less than all of the Parity Water/Wastewater Obligations then Outstanding, the aforesaid certificate, report or opinion of the Accountant shall give effect to the issuance of the proposed refunding of Parity Water/Wastewater Obligations (and shall not give effect to the Parity Water/Wastewater Obligations being refunded).

In making a determination of Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the Water and Wastewater System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues coverage test

described above, make a pro forma determination of the Net Revenues of the Water and Wastewater System for the period of time covered by the Accountant's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

### **Short-Term Parity Water/Wastewater Obligations**

Pursuant to the Master Ordinance, the City may issue or incur Parity Water/Wastewater Obligations issued in the form of commercial paper and for purposes of satisfying the Net Revenues coverage test for additional Parity Water/Wastewater Obligations, the term "Outstanding Funded Debt" (as defined in APPENDIX C) shall include Subordinated Debt (as defined in APPENDIX C) that matures by its terms, or that is renewable at the option of the City, to a date more than one year after the date of its issuance by the City. The terms and conditions pertaining to the issuance of Parity Water/Wastewater Obligations in the form of commercial paper, including, without limitation, the security, liquidity and reserves necessary to support such commercial paper obligations, are to be contained in a Supplemental Ordinance relating to their issuance.

### **Special Facilities Debt and Subordinated Debt**

Special Facilities Debt and Subordinated Debt may be incurred by the City without limitation.

### **Credit Agreements**

Under the Master Ordinance, payments made under a Credit Agreement may be treated as Parity Water/Wastewater Obligations payable solely from and equally and ratably secured by a lien on the Net Revenues of the Water and Wastewater System of equal rank and dignity with the lien and pledge securing the payment of Parity Water/Wastewater Obligations if the governing body of the City makes a finding in the Supplemental Ordinance authorizing and approving the Credit Agreement that Gross Revenues will be sufficient to meet the obligations of the Water and Wastewater System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of Parity Water/Wastewater Obligations then outstanding and the financial obligations of the City under the Credit Agreement, and such finding is supported by a certificate executed by a Designated Financial Officer of the City. As of the date of this Official Statement, there are no outstanding Credit Agreements.

### **System Fund**

Under the Master Ordinance and in accordance with the provisions of the ordinances authorizing the issuance of the Commercial Paper Obligations, the City has created and there shall be maintained on the books of the City while the Parity Water/Wastewater Obligations are Outstanding a separate fund or account known and designated as the "Water and Wastewater System Fund" (the "Water and Wastewater System Fund" or the "System Fund"). All funds deposited to the credit of the System Fund and disbursements from the System Fund shall be recorded in the books and records of the City and moneys deposited to the credit of the System Fund shall be in an account or fund maintained at an official depository of the City. The Gross Revenues of the Water and Wastewater System shall be deposited, as collected, to the credit of the System Fund and such Gross Revenues deposited to the credit of the System Fund shall be allocated, budgeted and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of Operating Expenses, as defined in this document or in the Master Ordinance or required by statute to be a first charge on and claim against the Gross Revenues thereof.

SECOND: To the payment of the amounts required to be deposited to the credit of the reserve fund established for the Prior Subordinate Lien Obligations.

THIRD: Equally and ratably to the payment of the amounts required to be deposited to the credit of (i) the special fund created and established for the payment of principal of and interest on the Prior Subordinate Lien Obligations\* as the same becomes due and payable, (ii) the funds maintained for the payment of Previously Issued Separate Lien Obligations currently Outstanding, and (iii) the special Funds and Accounts for the payment of the Parity Water/Wastewater Obligations.

FOURTH: To pay Subordinated Debt, including amounts for the payment of the Commercial Paper Obligations, and the amounts, if any, due and payable under any credit agreement executed in connection therewith.

FIFTH: To the payment of the amount, if any, approved and authorized by action of the governing body of the City, to be deposited to the credit of the Water and Wastewater System Surplus Revenue Account.

**\*The City has previously issued Prior First Lien Obligations and Prior Subordinate Lien Obligations, but no such obligations are currently outstanding and, pursuant to the Master Ordinance, no such additional obligations may be issued in the future.**

Any Net Revenues remaining in the Water and Wastewater System Fund after satisfying the foregoing payments or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

The City has established the "Revenue Stability Reserve Fund" as an account within the System Fund, and, therefore, the Revenue Stability Reserve Fund is separate and distinct from the Reserve Fund established by the Master Ordinance and described in "SECURITY FOR THE BONDS – Bonds Not Secured by any Debt Service Reserve Fund" in this document. The Revenue Stability Reserve Fund is funded by the "Water Revenue Stability Reserve Fund Surcharge" described in "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Service Rates" in this document. Moneys in the Revenue Stability Reserve Fund are Gross Revenues under the Master Ordinance. The City Council of the City has established certain policy restrictions with respect to the use of moneys in the Revenue Stability Reserve Fund, which are described in "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates." Notwithstanding these policy restrictions, the provisions of the Master Ordinance regarding the use of moneys on deposit in the System Fund (including the Revenue Stability Reserve Fund) that are described above in this "SECURITY FOR THE BONDS – System Fund" caption, govern and control. For additional information regarding the Revenue Stability Reserve Fund, see "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates" in this document.

#### **Surplus Revenue Account**

At the end of each Fiscal Year and after satisfying all payments and transfers having a priority on the revenues deposited to the credit of the System Fund, an amount approved and authorized by action of the governing body of the City may be transferred from the System Fund and deposited to the credit of a "Water and Wastewater System Surplus Revenue Account" to be established and maintained on the books and records of the City. The amounts deposited to the credit of the Water and Wastewater System Surplus Revenue Account may be used to make capital improvements to the Water and Wastewater System, to pay Operating Expenses or for any other lawful purpose. Prior to the beginning of each Fiscal Year, an amount deposited to the credit of the Water and Wastewater System Surplus Revenue Account may by action of the governing body of the City in the approval of the annual budget, or by a separate action, be designated as "Other Available Water and Wastewater Funds." The amount so designated as "Other Available Water and Wastewater Funds" shall be transferred on the books of the City to the credit of the System Fund as of the beginning of such Fiscal Year.

#### **COMMERCIAL PAPER NOTE PROGRAMS**

*Tax-Exempt & Taxable Commercial Paper Note Programs*...The City has established two short-term interim financing commercial paper program structures, a \$600,000,000 tax-exempt commercial paper program (the "Tax-Exempt Commercial Paper Note Program") and a \$100,000,000 taxable commercial paper program (the "Taxable Commercial Paper Note Program" and, together with the Tax-Exempt Commercial Paper Note Program, the "Commercial Paper Note Programs"). The purpose of the Commercial Paper Note Programs is to provide funds for the interim financing of a portion of the costs of capital improvements of the Combined Utility Systems. Notes issued under the Commercial Paper Note Programs (referred to as "Commercial Paper Obligations" in this document) are payable from the Net Revenues of the Combined Utility Systems after providing for the payment of the Parity Water/Wastewater Obligations and Electric Utility System Separate Lien Obligations.

The City's current financial policy provides that the proceeds of Commercial Paper Obligations issued for the Water and Wastewater System can only be utilized to finance (i) new water and wastewater plans, (ii) capital expansions, (iii) growth-related projects, (iv) routine capital improvements required for normal business operation, and/or (v) improvements to comply with local, State and federal mandates or regulations. The City's current financial policy provides that the proceeds of Commercial Paper Obligations issued for the Electric Utility System can only be utilized (i) to finance capital improvements required for normal business operation for Electric Utility System additions, extensions, and improvements or improvements to comply with local, State and federal mandates or regulations without prior voter authorization; however, this shall not apply to new nuclear or conventional coal generation, or (ii) for voter-authorized projects (although such voter authorization is not required by State law). See "SECURITY FOR THE BONDS" in this document.

Liquidity support for the \$600,000,000 Tax-Exempt Commercial Paper Note Program is provided by a revolving credit agreement issued by JPMorgan Chase Bank, National Association (“JPMorgan”). The revolving credit agreement with JPMorgan, which was amended on June 18, 2024, expires in accordance with its terms on June 18, 2029. The revolving credit agreement with JPMorgan also allows for the direct placement of tax-exempt commercial paper notes with JPMorgan. Liquidity support for the \$100,000,000 Taxable Commercial Paper Note Program is provided by a revolving credit agreement issued by JPMorgan. The revolving credit agreement with JPMorgan became effective on June 18, 2024, and expires in accordance with its terms on June 18, 2029. The revolving credit agreement with JPMorgan also allows for the direct placement of taxable commercial paper notes with JPMorgan. See “PLAN OF FINANCING – Refunding of Outstanding Commercial Paper Notes” in this document.

After the issuance of the Bonds and refunding of the Refunded Notes, the City will have \$\_\_\_\_\_<sup>1</sup> of outstanding Commercial Paper Notes. See “PLAN OF FINANCING – Refunding of Outstanding Commercial Paper Notes” in this document.

## DESCRIPTION OF THE BONDS

### General

The Bonds will be dated April 21, 2026. Interest on the Bonds will accrue from the date of their initial delivery to the Underwriters (the “Date of Initial Delivery”). Interest on the Bonds will be payable on November 15, 2026 and each May 15 and November 15 until maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and bear interest at per annum rates set forth on page ii of this document. Interest to be paid on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds is payable at maturity, subject only to prior redemption of the Bonds as described in this document.

### Optional Redemption of the Bonds

The City reserves the right, at its option, to redeem Bonds maturing on or after November 15, 20\_\_, in whole or in part, in the principal amounts of \$5,000 or any integral multiple thereof on November 15, 20\_\_, or any date thereafter, at the par value plus accrued interest to the date fixed for redemption.

Upon any optional redemption of the Bonds, if less than all of the Bonds are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity are to be redeemed, the Bonds, or portion of the Bonds, within such maturity will be selected at random, by lot or other customary method selected by the Paying Agent/Registrar.

*[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]*

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<sup>1</sup> Preliminary, subject to change.

### **Mandatory Sinking Fund Redemption of the Bonds**

The Bonds having stated maturities of November 15, 20\_\_ and November 15, 20\_\_, respectively (the “Term Bonds”), shall be subject to mandatory sinking fund redemption in part prior to maturity at the par value plus accrued interest to the date of redemption on November 15 in each of the years and in the principal amounts as follows:

_____% Term Bond due November 15, 20 * _____	_____% Term Bond due November 15, 20 * _____
--	--

\_\_\_\_\_  
\*Stated maturity.

Approximately 45 days prior to each mandatory sinking fund redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable stated maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory sinking fund redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of like maturity which, at least 50 days prior to the mandatory sinking fund 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 previously credited against a mandatory sinking fund redemption requirement.

### **Notice of Redemption**

Not less than 30 days before a redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first-class postage prepaid, in the name of the City and at the City’s expense, to the registered owner of a Bond to be redeemed in whole or in part at the address of the bondholder appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the registered owner.

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

### **Defeasance**

The City may defease and discharge its obligation to the holders of any or all of the Bonds to pay the principal of, redemption premium, and interest thereon by depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust: (a) cash in an amount equal to the principal amount of, redemption premium, and interest to become due on the Bonds to the date of maturity or prior redemption, or (b) Government Obligations, consisting of (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and are rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent; or (iii) non-callable 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 of acquisition by the City are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its

equivalent. Government Obligations deposited in trust to defease the Bonds are required to be affirmed by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to pay the principal of, redemption premium, and interest on the defeased Bonds.

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Irving, Texas. The City retains the right to replace the Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause written notice thereof to be given to each registered owner of the Bonds then outstanding, which notice will also give the address of the new Paying Agent/Registrar. Any Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve in the capacity and perform the duties of Paying Agent/Registrar for the Bonds.

Interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent by United States mail, first-class postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity or redemption prior to maturity upon their presentation to the designated payment/transfer office of the Paying Agent/Registrar. If a date for making a payment on the Bonds, the taking of any action or the mailing of any notice by the Paying Agent/Registrar shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment, taking action or mailing of a notice will be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and a payment, action or mailing on such date shall have the same force and effect as if made on the original date the payment was due, or the action was required to be taken or the mailing was required to be made.

### **Record Date for Interest Payment**

The record date ("Record Date") for the interest payable on any interest payment date with respect to the Bonds means the close of business on the last business day of the month preceding such interest payment date. In the event of a non-payment of interest on one or more maturities of the Bonds on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment for such maturity or maturities (a "Special Record Date") will be established by the Paying Agent/Registrar, if any, when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of such maturity or maturities of the Bonds appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued (see "BOOK-ENTRY-ONLY SYSTEM" in this document), 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 and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated payment/transfer office of the Paying Agent/Registrar, or sent by United States mail, first-class postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

## Bondholders' 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 either the Master Ordinance or the Fifty-First Supplement, or the City declares bankruptcy, the registered owners 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, the Master Ordinance or the Fifty-First Supplement 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. Neither the Master Ordinance nor the Fifty-First Supplement 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 Fifty-First Supplement, 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, Texas Government Code ("Chapter 1371"), secured by the revenues of the Water and Wastewater 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, 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 Master Ordinance or the Fifty-First Supplement. 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"), ruled 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 and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of 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.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of 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 creditors' rights 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.

For a more detailed explanation of the various covenants and agreements with the Holders of the Bonds, including provisions for amendments to the Master Ordinance and any supplemental ordinances thereto (including the Fifty-First Supplement), and defeasance of the Bonds, see APPENDIX C attached to this document.

## BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities 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 Security certificate will be issued for each maturity of the Securities, 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 collectively 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds and principal and interest payments on the Securities 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 the 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 securities 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. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Securities 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, Security certificates are required to be printed and delivered. Subject to DTC's policies and guidelines, 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, Security certificates will be printed and delivered.

**The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City, the Municipal Advisor, and the Underwriters each believes to be reliable, but the City, the Municipal Advisor, and the Underwriters take no responsibility for the accuracy thereof.**

## THE WATER AND WASTEWATER SYSTEM

### General

The City owns and operates a water and wastewater system (also referred to in this document as the "Water and Wastewater System," "Water and Wastewater Utility" or "Austin Water") which provide the City, as well as adjoining areas of Travis County and certain adjacent areas of Williamson County, with water and wastewater services. The City owns all the facilities of the Water and Wastewater System. For the fiscal year commencing October 1, 2025, Austin Water had approximately 1,439 full-time regular employees.

### Drought Conditions

The City was in an extraordinary drought during the summer of 2023. The City registered a total of 80 days with 100-degree heat, 40 days with temperatures of 105 degrees or higher, and received less than 1.5 inches of rain from June through August 2023. Drought Stage 2 water restrictions went into effect August 15, 2023. Austin Water entered Stage 2 drought conditions as of August 15, 2023, after spending a year in Stage 1. The combined lake level of Lake Travis and Buchanan. fell to as low as \_\_\_% or \_\_\_ acre-feet in \_\_\_, 2024. The Central Texas Region experienced a devastating flooding event from July 4 to July 7, 2025. This event resulted in Lakes Travis and Buchanan reaching a combined capacity of 95% full at 1,890,187 acre-feet at the end of July. On September 2, 2025, Austin Water implemented Conservation Stage watering restrictions. Austin's Drought Contingency Plan sets a trigger at certain storage volumes at which the City Manager may order the implementation of different stages of conservation measures.

For many years, the City has emphasized water conservation in normal weather as well as during a drought. To meet the community's water needs for the next 100 years, the City is implementing demand management and water supply strategies from the City's integrated water resource plan called "Water Forward." In 2025, the City completed the process of replacing over 250,000 analog water meters with digital meters capable of providing customers with near real-time water consumption data. This upgrade provides customers the ability to better manage water consumption and bills by setting up alerts and notifications about water use and possible leaks.

## Texas Winter Weather Event 2021

*General.* From February 14, 2021 through February 19, 2021, much of the continental United States, including Texas, experienced a severe winter storm resulting from the southern migration of a polar vortex that meteorologists have characterized as the most significant winter weather event in terms of scope and duration since monitoring of these weather phenomena began in the 1950s (such winter storm, the “2021 Weather Event”). As a result of the 2021 Weather Event, the State experienced Statewide, record-breaking cold weather. Temperatures in the City remained below freezing for 162 consecutive hours, with a low temperature of 7 degrees recorded on February 16, 2021. As the 2021 Weather Event impacted the State, ERCOT implemented what were initially expected to be rolling blackouts to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of 2021 Weather Event and the corresponding increase in demand on the State electric grid, combined with limited availability of generation, widespread and prolonged power outages began at 1:00 a.m., Central time, on Monday, February 15, 2021, and continued throughout the week. Ultimately, approximately 4,000,000 residents of the State were without power for significant stretches of the week.

*Impact of 2021 Weather Event on Austin Water.* The extreme weather conditions experienced during the 2021 Weather Event, coupled with widespread power outages in the State, caused significant disruption to water service, resulting in widespread water outages and a City-wide Boil Water Notice.

On February 15 and 16, 2021, dropping temperatures continued to affect public infrastructure and private buildings, and Austin Water began to receive reports of pipe breaks. Water demand across the Austin Water service area increased from approximately 150 million gallons per day (MGD) on February 15 to a peak hourly demand of 260 MGD in the evening of February 16. Storage levels began to deplete in Southwest Austin, and conditions rapidly changed during the overnight hours of February 16. A Boil Water Notice was issued for Southwest Austin on the morning of February 17 because pressure in that portion of the distribution system dropped below the regulatory requirement. There was no indication of system-wide loss of service at that time. On February 17, 2021, water demand continued to rise to a peak hourly demand of 330 MGD, more than double levels observed in February 2020. In the early afternoon, the Ullrich Water Treatment Plant experienced a disruption to both of the electric feeds to the plant. The electrical outage was restored and plant systems were systemically restarted, restoring treatment capacity within approximately 11 hours. With the temporary reduction of water production, coupled with the extremely high water demands, system storage was depleted resulting in widespread water outages. Due to pressure dropping below the regulatory requirement, a Boil Water Notice was issued for all Austin Water customers during the evening of February 17, 2021.

System recovery efforts were focused on reducing water consumption and repairing leaks to replenish storage capacity and re-pressurize the distribution system. Initial efforts focused on restoring water to hospitals and other critical customers by isolating key transmission mains. Pressure was gradually restored to the distribution system, and the Boil Water Notice was lifted in phases throughout February 22 and 23, 2021.

Despite the significant operational impacts from the 2021 Weather Event, Austin Water experienced minimal financial impacts with \$5 million of emergency response costs and \$1.2 million in property damage.

*Legislative Response.* On June 8, 2021, the Governor signed Senate Bill 3 (“SB 3”) to address the issues that arose during the 2021 Weather Event. Among other actions, SB 3 requires a water utility to ensure the emergency operation of its water system during a power outage that lasts longer than 24 hours at a minimum pressure of 20 pounds per square inch, or at a water pressure level approved by the Texas Commission on Environmental Quality (the “TCEQ”), as soon as safe and practicable following the occurrence of a natural disaster.

SB 3 also requires that a water utility adopt and submit an emergency preparedness plan (“EPP”) to the TCEQ for its approval that includes a timeline for implementing the plan. The submitted plan must provide for one, or a combination, of fourteen options and approaches to provide services as required by SB 3. The options provided include but are not limited to auxiliary generators; on-site power generation; designation of the water system as a critical load facility or redundant, isolated or dedicated electrical feeds; water storage capabilities; the ability to provide water through artesian flows; redundant interconnectivity between pressure zones; emergency water demand rules to maintain emergency operations and any other alternative determined by the TCEQ to be acceptable. . Austin Water met all compliance deadlines for submissions required by SB 3. Required information was submitted to the Public Utility Commission of Texas (“PUCT”), Austin Water’s electrical providers, and other government entities on October 20, 2021. The EPP and implementation timeline for the City’s water system were completed and submitted to TCEQ on March 1, 2022, meeting the SB 3 deadline.

SB 3 also requires that, during an extreme weather emergency (defined as a period when the previous day’s highest temperature did not exceed 28 degrees Fahrenheit, and the temperature is predicted to remain at or below that level for the

next 24 hours according to the nearest National Weather Service reports), a retail public utility is prohibited from imposing late fees or disconnecting service for nonpayment of bills that are due during an extreme weather emergency until after the emergency is over, and must work with customers that request to establish a payment schedule for unpaid bills that are due during the extreme weather emergency.

### **Financial Impact of the COVID-19 Pandemic on Austin Water**

Austin Water maintained a strong financial condition during the COVID-19 pandemic and its operations and capital spending plans were not materially impacted due to the COVID-19 pandemic. As described further below, Austin Water instituted temporary rate reductions and provided other forms of financial assistance in fiscal years 2020, 2021, 2022, 2023 and for fiscal year 2024 to assist ratepayers affected by the COVID-19 pandemic. Austin Water no longer provides COVID-19 rate reductions as of the end of FY 2024. Even with these temporary rate reductions, Austin Water currently projects that it will continue to maintain reserves and a debt service coverage ratio that is consistent with its financial policies, which, as recently amended, requires 180 days cash on hand and 1.75x debt service coverage, respectively. The COVID-19 pandemic has not had a significant effect on Austin Water's construction activities and capital improvement plans. Austin Water continues to work with the City's Homeland Emergency Security Management department on potential Federal Emergency Management Agency (FEMA) reimbursements for COVID-19 response-related expenses estimated to be \$4.3 million. At the end of fiscal year 2025 there have been no FEMA reimbursements for Austin Water. Austin Water has no dependence on receipt of FEMA funding for meeting any of its financial obligations.

In response to the economic impact of COVID-19, the City Council of the City approved rate reductions for certain customer classes, which took effect April 9, 2020: a 10% rate reduction of tiers 1, 2 and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates. The rate reductions applied to customer rates in the residential Customer Assistance Program ("CAP") – a program that provides for lower rates for residents on low or fixed incomes – and customer rates for residential Non-CAP rates. These temporary rates were effective through October 31, 2020, after which the non-CAP rates returned to the normal rate schedule (as adopted by the City on November 1, 2019) while the 10% rate reduction for CAP Customers was extended through fiscal year 2024 (September 30, 2024).

Austin Water provided an additional \$5 million contribution to the Emergency Financial Assistance Plus 1 program in FY 2020 and FY 2021 for a combined \$10 million. Other methods for assistance included additional measures to halt disconnects for non-payment, waived late fees, and payment arrangements for customers in need. Disconnects were halted in April 2020 due to COVID-19 but resumed on July 16, 2021 with a phased-in approach. Overall, Austin Water experienced an increase of approximately \$2 million in delinquent accounts receivable balances due to COVID-19. In advance of and since disconnects resumed, City of Austin Utilities has been working with customers to bring account balances current. As a result, Austin Water has seen an increase in payment arrangement balances and a decrease in delinquent balances as compared to September 2020 balances. As a result, Austin Water experienced an increase in payment arrangement balances from 2021 to 2022, along with a decrease in delinquent balances compared to the September 2020. By September 2025, both delinquent balances and payment arrangements had returned to levels seen in 2019, prior to the COVID-19 pandemic.

In April 2021, Austin Water implemented a Multifamily CAP program for low-income customers who do not have a dedicated water meter, but nevertheless, receive water and wastewater service from Austin Water. This program provides a \$17 monthly credit on their Austin Energy utility bill, shown as Austin Water Multi-Family CAP Program Discount. The Multifamily CAP program offers a safety net to thousands of vulnerable customers who have traditionally been ineligible for Austin Water financial assistance through the residential Customer Assistance Program because they are not directly billed for water and wastewater service.

**Management**

Name	Years at City*	Additional Years of Experience	Total
<b>Director</b>			
Shay Ralls Roalson, P.E.	6	27	33
<b>Chief of Staff</b>			
Amy Petri (***)	14	0	14
<b>Deputy Directors</b>			
Ayman Benyamin, P.E., <i>Operations</i>	21	12	33
Joseph Gonzales, CPA, <i>Business Services (**)</i>	21	11	32
Randi Jenkins, <i>Technical Services</i>	19	4	23
<b>Assistant Directors</b>			
Charles Celauro, P.E., <i>Engineering Services</i>	13	25	38
Christina Romero, MSA, <i>Financial Services (***)</i>	16	9	25
Divya Rathanlal, PMP, CGEIT, CISSP, CGCIO, <i>Information Technology Services</i>	17	1	18
Israel Custodio, MS, SMS, CIT, <i>Employee Leadership &amp; Development</i>	7	21	30
Kevin Critendon, P.E., <i>Environmental Planning and Development Service</i>	15	27	42
Marcia Brooks, <i>Customer Experience (***)</i>	22	15	37

\*As of January 31, 2026.

\*\* Length of service is not continuous.

\*\*\* Interim Role

**WATER SYSTEM**

**Service Area**

The City supplies treated water to residential, industrial, and commercial customers within the corporate limits of the City and to a portion of Travis and Williamson Counties. The presently defined service area totals approximately 538 square miles. The City also has contracted to supply treated water on a wholesale basis to four municipal utility districts (individually, a “MUD”; collectively “MUDs”); two water control and improvement districts (individually, a “WCID”; collectively “WCIDs”); several water supply corporations and private utilities; the cities of Manor, Rollingwood, Sunset Valley, West Lake Hills; and the Village of San Leanna. In addition, the City has had a water reclamation initiative for more than thirty years to develop facilities and processes to make treated wastewater effluent available for non-potable uses including irrigation and cooling processes. The City established operating and capital funds for a Reclaimed Water Utility in addition to the Water and Wastewater System operating and capital funds during fiscal year 2013. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Reuse Facilities” in this document. The City has previously acquired the systems and assets of eleven WCIDs. The City has paid off and extinguished the bonded indebtedness of these WCIDs.

The PUCT is empowered to grant utilities a Certificate of Convenience and Necessity (“CCN”) to provide water and wastewater service to retail customers. Since Austin Water is not defined by state statute as a “utility,” and instead is considered a “municipality,” it is not required to obtain such a certificate. Although not required, the City has obtained water and wastewater CCNs for several specific geographic areas. The TCEQ is empowered to approve and regulate public water systems and has approved the City’s water system, including its sources and treatment and distribution facilities. References to the TCEQ in this document are intended to include agencies whose duties and responsibilities have been assumed by the TCEQ.

## Water Supply

In 1888, City leaders campaigned successfully for the first Austin dam across the Colorado River, which was completed early in 1893 and was reported to be the largest dam in the world when originally constructed. In 1934, a \$4,500,000 loan and grant was obtained from the Public Works Administration to complete the Buchanan Dam. The Lower Colorado River Authority (“LCRA”) finished the Buchanan Dam—which is 150 feet high and 11,000 feet long—in 1938; the lake it forms (Lake Buchanan) is thirty-two miles long and two miles wide, covering 22,137 surface acres at the full conservation pool elevation of 1,020.5 feet mean sea level (“MSL”).

Since that time, a stairway of lakes was created by building five additional dams, giving the area 150 miles of lakes. Tom Miller Dam is within the City limits, and forms Lake Austin, which covers 1,590 surface acres; Mansfield Dam, impounds Lake Travis, encompassing up to approximately 19,300 acres of surface area at the full conservation pool elevation of 681 feet MSL; Starcke Dam creates Lake Marble Falls, which spreads over 900 acres; Lake Lyndon B. Johnson, held by Alvin Wirtz Dam, has an area of 6,300 acres; and Roy Inks Dam forms Inks Lake, with a surface of 900 acres. The City owns Tom Miller Dam and has leased it to LCRA through December 31, 2050. The other Highland Lakes system dams are owned by LCRA.

The combined storage capacity of the six lakes is around 3,300,000 acre-feet of water, or more than a trillion gallons. Approximately 800,000 acre-feet of this capacity is reserved for flood control. Of the six dams on the Colorado River, two form major impounding reservoirs for the control of flood water; however, Mansfield Dam is the only designated flood control structure. The combined storage capacity of Lakes Travis and Buchanan, the two major water supply storage reservoirs upstream of the City and managed by LCRA, is approximately 2 million acre-feet.

The City also constructed Longhorn Dam on the Colorado River, just downstream of Lady Bird Lake and Decker Dam on Decker Creek, a tributary of the Colorado River that joins the river downstream of Longhorn Dam. Lady Bird Lake, which has a permitted capacity of approximately 3,500 acre-feet, is created by Longhorn Dam. Decker Dam creates Lake Walter E. Long, which has a permitted capacity of approximately 34,000 acre-feet.

United States Geological Survey (“USGS”) records at Austin gauging station No. 08158000 show the following flows for the water year (October 1 through September 30)\*:

1989 – 677,900 Acre-Feet	2001 – 1,164,400 Acre-Feet	2015 – 201,700 Acre-Feet
1990 – 692,300 Acre-Feet	2002 – 1,675,400 Acre-Feet	2016 – 1,482,200 Acre-Feet
1991 – 829,700 Acre-Feet	2003 – 1,013,800 Acre-Feet	2017 – 739,200 Acre-Feet
1992 – 5,418,600 Acre-Feet	2004 – 927,900 Acre-Feet	2018 – 277,600 Acre-Feet
1993 – 978,000 Acre-Feet	2005 – 2,136,300 Acre-Feet	2019 – 2,518,000 Acre-Feet
1994 – 708,200 Acre-Feet	2006 – 553,200 Acre-Feet	2020 – 389,000 Acre-Feet
1995 – 896,700 Acre-Feet	2007 – 2,155,900 Acre-Feet	2021 – 286,900 Acre-Feet
1996 – 758,300 Acre-Feet	2008 – 623,200 Acre-Feet	2022 – 408,200 Acre-Feet
1997 – 3,013,500 Acre-Feet	2009 – 584,800 Acre-Feet	2023 – 131,300 Acre-Feet
1998 – 1,313,800 Acre-Feet	2010 – 798,500 Acre-Feet	2024 – 113,700 Acre-Feet
1999 – 765,300 Acre-Feet	2011 – 670,100 Acre-Feet	2025 – 259,000 Acre-Feet
2000 – 627,400 Acre-Feet	2012 – 212,800 Acre-Feet	

\* Data from 1989 to 2025 is referenced from USGS Water-Year Summary Statistics. All flows in acre-feet. Numbers may vary from prior year posting due to actual vs estimate. Restated to report the correct actual numbers.

From 1989-2025, the water year average flow was 984,700 acre-feet per year. As a result of drought conditions, the flows in water years 2012 through 2015 were lower, in accordance with TCEQ approval, due to LCRA cutting off most Highland Lakes interruptible stored water releases for agricultural irrigation operations. In August of 2022, LCRA cut off interruptible stored water releases for agricultural irrigation operations in accordance with their water management plan due to drought conditions. The gauging station referenced above is located on the Colorado River downstream of Longhorn Dam and downstream of the City’s intakes.

## Water Rights

The City holds independent rights to impound, divert and use the waters of the Colorado River and its tributaries, and additional rights to such water pursuant to agreements with LCRA.

The City's independent water rights have been adjudicated before the TCEQ in accordance with the Water Rights Adjudication Act, Texas Water Code, Section 11.301, et seq. The City's rights, as determined by the TCEQ, are set forth in the Final Determination of all claims of Water Rights in the Lower Colorado River Segment of the Colorado River Basin issued by the TCEQ on July 29, 1985. Both the City and LCRA appealed the Final Determination, seeking additional rights and contesting the rights awarded to each other, in a proceeding styled *In Re: The Exceptions of the Lower Colorado River Authority and the City of Austin to the Adjudication of Water Rights in the Lower Colorado River Segment of the Colorado River Basin*, Cause No. 115,414-A-1 in the District Court of Bell County, Texas, 264th Judicial District ("Cause No. 115,414-A-1"). The City and LCRA entered into a Comprehensive Water Settlement Agreement (the "Settlement Agreement") in settlement of Cause No. 115,414-A-1 on December 10, 1987. The Settlement Agreement generally improves the independent water rights of both the City and LCRA. Such rights for the City include: the rights to maintain Tom Miller Dam and Lake Austin, Longhorn Dam and Lady Bird Lake, and Decker Dam and Lake Walter E. Long; the right to divert and use 272,403 run of the river acre-feet of water per year from Lake Austin and Lady Bird Lake for municipal purposes; the right to divert and circulate an unlimited amount of water per year from Lady Bird Lake for industrial purposes so long as consumptive use does not exceed 24,000 acre-feet per year; the right to divert and circulate water from Lake Walter E. Long for industrial (cooling) and recreational purposes so long as consumptive use does not exceed 16,156 acre-feet per year; and the right to divert and use water through Tom Miller Dam for the generation of hydroelectric power. LCRA's independent water rights, as determined by the TCEQ, include the rights to maintain Lakes Travis and Buchanan and to divert and use water therefrom. Pursuant to the Settlement Agreement and the final judgment in Cause No. 115,414-A-1, certain other pending water-related disputes between the City and LCRA were settled. LCRA was granted an option to acquire up to a 50% undivided interest in the City's then proposed Berl L. Handcox, Sr. Water Treatment Plant known as "Handcox WTP" (formerly Water Treatment Plant No. 4 or WTP No. 4) discussed under "Water Treatment Plants" in this document. The District Court issued a final judgment consistent with the Settlement Agreement. Certificates of Adjudication were issued by the TCEQ.

Pursuant to previous agreements between the City and LCRA, LCRA has agreed to supply the City additional water from storage in Lakes Travis and Buchanan, and other sources. The City also has leased Tom Miller Dam, and the City's right to divert and use water for the generation of hydroelectric power through Tom Miller Dam, to LCRA. The Settlement Agreement provided for the City to receive water from Lake Travis for Handcox WTP, and for additional water for municipal and other purposes of use downstream of Lake Travis.

The City and LCRA executed the First Amendment to the Settlement Agreement (the "First Amendment") on October 7, 1999. This First Amendment extends the existing Settlement Agreement through the year 2050, and gives the City an assured water supply throughout its term by providing additional water from the Highland Lakes system, a chain of lakes formed on the Colorado River that includes Lake Travis, Lake Austin, Lady Bird Lake, and other sources. Additionally, the First Amendment includes an option for the City to renew the Settlement Agreement through the year 2100. The City paid a discounted amount of \$100.0 million to LCRA as part of the First Amendment contract provisions. The \$100.0 million payment to LCRA included compensation for the following terms: (a) pre-paid reservation fee for an additional 75,000 firm acre-feet of water supply, which increased the City's total water supply from 250,000 firm acre-feet to 325,000 firm acre-feet per year for the additional 50-year period, with an option to renew for another additional 50-year period; and (b) pre-paid water use charges that would be paid by the City for water use above 150,000 firm acre-feet up to 201,000 firm acre-feet.

Under the terms of the First Amendment, the Water and Wastewater System will begin annual payments to LCRA for raw water diverted in excess of 150,000 acre-feet once the Water and Wastewater System's average annual diversions for two consecutive years exceed 201,000 acre-feet. The First Amendment also has numerous other provisions that benefit the City. Also, a legal issue regarding the building of Handcox WTP (formerly WTP No. 4) was settled. LCRA's option to acquire up to 50% of the Handcox WTP lapsed on January 1, 2000. All sections of the 1987 Settlement Agreement related to Handcox WTP were deleted as part of the First Amendment. The First Amendment provides for mutual release of the City and LCRA from any claims or causes of action relating to the delayed construction of Handcox WTP.

## **Water Treatment Plants**

Austin Water has three water treatment plants (Davis, Ullrich, and Handcox WTP), which have a combined rated capacity of 335 million gallons per day (“MGD”). These water treatment plants have a combined clear well storage capacity of 45 million gallons on site.

Austin Water’s water distribution system includes approximately 4,300 miles of water mains of varying diameters, 35 major storage facilities with a storage capacity over 170 million gallons, approximately 33,000 City maintained fire hydrants, and 29 major pump stations.

The City receives its water supply from the Colorado River through the three water treatment plants. The Davis WTP and the Ullrich WTP both draw water from Lake Austin. Handcox WTP draws water from Lake Travis.

The Davis WTP, located at Mount Bonnell Road and West 35th Street, has a rated capacity of 118 MGD. The plant is of conventional design, with rapid mix basins, flocculation basins, sedimentation basins, gravity filters, clearwell storage, pre- and post-chlorine disinfection system, finished water pumping stations, and sludge handling facilities. The plant was constructed in 1954 and expanded in 1963, 1975 and 1986. The Ullrich WTP, located on a site south of Red Bud Trail and Forest View Drive, has a rated capacity of 167 MGD. The existing plant facilities consist of an intake and raw water pumping station, raw water transmission main, seven upflow-solids contact clarifiers, eighteen filters, pre- and post-chlorine disinfection system, clearwell storage, high service and medium service pumping stations, and sludge handling facilities. A 67MGDupgrade to the Ullrich WTP was completed in 2006. This expansion increased the rated capacity of the plant from 100 MGD to 167 MGD.

Handcox WTP began delivering potable water in November 2014. Located in northwest Austin, Handcox WTP draws its water from Lake Travis. The construction of Handcox WTP added an initial capacity of 50 MGD with expansion capability up to 300 MGD with future phases to meet projected needs. Funding for the construction of Handcox WTP came from a combination of cash transferred from the operating fund and revenue bonds. The existing plant facilities consist of an intake and raw water pumping station, raw water transmission main, two upflow-solids contact clarifiers, six filters, pre- and post-chlorine disinfection systems, clearwell storage, a pumping station, and sludge handling facilities.

## **Water Use Management Plans, Austin’s Integrated Water Resource Plan, and LCRA Water Management Plans**

Austin Water has both a water conservation plan and a drought contingency plan, as required in Texas for large municipal water suppliers. The City’s Water Conservation Plan details incentive programs, educational efforts and regulations designed to reduce both peak and average day water use. The City’s Drought Contingency Plan (“DCP”) outlines the City’s response to emergency demand or supply conditions. In addition to year-round prohibitions against water waste and a mandatory watering schedule that allows for outdoor irrigation with automatic sprinkler systems of no more than once per week, the plan calls for more restrictive stages if combined storage levels in the Highland Lakes fall below certain levels, or if daily pumpage exceeds limits established by Austin Water’s Director. Watering times and days are further limited, and restrictions are placed on discretionary water uses such as ornamental fountains and vehicle washing. Water use restrictions are codified in the City Code, Chapter 6-4. Through these strategies, Austin Water is striving to continue strengthening conservation efforts while also protecting the City’s urban landscape and tree canopy.

For the majority of time from September 2011 through May 2016 the City was in Stage 2 watering restrictions, which resulted in lower than forecasted Gross Revenues in fiscal years 2012 through 2014. Among other measures, Stage 2 watering restrictions limit lawn watering to no more than one day per week. In accordance with the DCP, Stage 2 implementation was triggered in response to the combined storage of water supply in Lakes Travis and Buchanan dropping to 900,000 acre-feet in late summer 2011. Water use restrictions achieved their intended effect, as water use declined significantly during their imposition; however, water use declined more than forecasted by Austin Water for fiscal years 2012 through 2014. Significant rainfall in 2015 increased the combined storage of Lakes Travis and Buchanan to 2.04 million acre feet as of May 2016. After extensive outreach and community input, the City implemented a modified Conservation Stage on May 18, 2016. Under the new Conservation Stage restrictions, customers are permitted to water their landscapes twice-per-week with hose end sprinklers and once-per-week with automatic irrigation systems. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates” in this document.

Austin’s DCP sets a trigger at certain storage levels at which the City Manager may order the implementation of different stages of conservation measures. On September 2, 2025, Austin returned to Conservation Stage watering restrictions, a year-

round, one-day-a-week restriction after being under Stage 2 restrictions since August 2023, following a devastating flooding event from July 4 to July 7, 2025. See “THE WATER AND WASTEWATER SYSTEM – Drought Conditions.”

Inclining block rates, implemented April 1, 1994, are designed to promote water conservation by single family residential customers. Seasonal rates implemented in 2000 for commercial and multifamily customers are also designed to promote water conservation. Also see “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Reuse Facilities” in this document.

Additionally, in November 2018, the City Council adopted the Water Forward Plan (the “Water Forward Plan”), the City’s 100-year integrated water resource plan, intended to ensure a diversified, sustainable, and resilient water future. The Water Forward Plan’s strategies include increased water conservation, use of alternative water sources (for example, use of rainwater harvesting, greywater reuse, and air conditioner condensate reuse, among other strategies), increased reclaimed water reuse, aquifer storage and recovery and others.

The City has senior water rights and also firm water supply agreements with the LCRA that provide the City with firm water supplies of up to 325,000 acre-feet per year. LCRA’s operations and management of the water stored in Lakes Travis and Buchanan, the region’s major water supply reservoirs, is guided by the LCRA Water Management Plan (“WMP”), a document approved by the TCEQ. In November 2015, TCEQ approved an updated WMP that governed LCRA’s operation and management of the lakes during the 2016 crop irrigation season, which began in March 2016. LCRA supplies water to firm customers like the City, industries, power plants and other cities. Also, when interruptible water is available, in accordance with LCRA’s WMP, LCRA also supplies interruptible water to downstream agricultural irrigation operations in the lower three counties in the lower Colorado River Basin. The updated LCRA WMP better protects the water supply for firm customers, including the City, and allows LCRA to more quickly adapt its operations as drought conditions change. Revisions include incorporating procedures for curtailing interruptible water such that combined storage in Lakes Travis and Buchanan is maintained above 600,000 acre-feet through a repeat of historic drought conditions through 2013. The revised plan also incorporates a three-tier regime that considers inflows, current storage, and modeled future storage conditions in determining water availability given to interruptible agricultural customers. Additionally, availability of interruptible stored water will be determined separately for each of the two crop seasons, rather than having the determination made once for both crop seasons, as was the case in the previous WMP. The revised WMP also places volumetric limits on the amount of interruptible stored water to be made available for use. City representatives worked diligently through the critical LCRA WMP revision process to proactively ensure reservoir management of Lakes Travis and Buchanan is consistent with the City’s firm water interests and with LCRA’s lake permit duties and firm customer agreements. In early 2019 LCRA submitted to TCEQ for review and approval a 2018 update to the LCRA WMP. TCEQ approved the “2020 LCRA WMP” in early 2020. In 2025, LCRA began the process of updating the LCRA WMP. City of Austin representatives participated in the WMP update process, regularly meeting with LCRA staff and submitting comment letters to support WMP changes that are more protective of stored water in the Highland Lakes. LCRA is expected to submit the update to TCEQ for approval in March 2026.

On March 8, 2024, the City Council approved “Go-Purple,” a program designed to increase the amount of reclaimed water and onsite water use and is projected to save a combined 16 MGD of drinking water by 2040. Key elements of Go-Purple include water sustainability code changes, program incentives, and funding mechanisms to support foundational aspects of the Water Forward Plan.

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**Water Storage and Pumping Facilities**

In addition to the water treatment plants, the City owns and operates the following storage facilities and major water pump stations as part of the Water and Wastewater System.

<u>North System</u>	<u>Total Storage Capacity (Millions of Gallons)</u>	<u>Firm Pumping Capacity (Gallons per Minute)</u>
Anderson Mill (1)	3	7,600
Anderson Mill NWC	1.5	n/a
Avery Ranch (1)	3	n/a
Capital of Texas (1)	0.5	n/a
East Austin	12	37,800
Forest Ridge	3	8,000
Four Points (1) (Elevated)	1	n/a
Four Points (Ground)	7	7,800
Guildford Cove	0.275	1,000
Howard Lane 1	10	50,000
Howard Lane 2	10	See above
Jollyville	11	49,800
Lookout Lane	0.3	800
Martin Hill (1)	34	n/a
North Austin	8	34,700
Pond Springs (1)	3	n/a
Spicewood Springs	10	58,000
Suntree (1) (Elevated)	0.5	n/a
<u>South System</u>		
Allen Road	n/a	Lost Creek – 2,000 Barclay – 3,000
Barclay Road	0.5	3,000
Center Street	8	31,400
Davis Lane 1	10	39,500
Davis Lane 2	10	See above
LaCrosse (1)	3	n/a
Leuthan Lane	3	SWB – 6,950 SWC - 2,700
Lost Creek 1	0.500	890
Lost Creek 2	0.750	See above
Mt. Larson	0.1	100
Never Bend Cove	0.06	1,599
Pilot Knob	10	15,800
Slaughter Lane	6	SWB - 15,000 SWC - 5,400
Thomas Springs (1) (Elevated)	1.25	n/a
Westlake Drive	0.01	500

(1) Storage only, no pumps.  
 Source: Austin Water.

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**Historical Water Pumpage**

The following table summarizes historical demand and maximum day water pumpage from fiscal years 2016 through 2025.

<u>Fiscal Year</u>	<u>Total Pumpage (Millions of Gallons)</u>	<u>Percent Change</u>	<u>Maximum Day Pumpage (Millions of Gallons)</u>
2016	44,661	2.7%	198
2017	47,371	6.1%	204
2018	48,522	2.3%	203
2019	47,294	(2.5)%	209
2020	51,121	8.1%	215
2021	51,420	0.6%	204
2022	54,366	5.7%	228
2023	54,850	0.9%	232
2024	54,554	(0.01)%	223
2025	56,339	3.3%	207

Source: Austin Water.

**Projected Water Pumpage**

The following table, based on actual operating experience, summarizes the annual treated water pumpage and maximum day pumpage projected by Austin Water. The figures in the following table include projected savings from the water conservation plan implementation; maximum day pumpage estimates include a 10% dry condition variation factor. Figures are subject to change pending adjustments by Austin Water.

<u>Fiscal Year</u>	<u>Total Pumpage (Millions of Gallons)</u>	<u>Maximum Day Pumpage (Millions of Gallons)</u>
2026	57,061	228
2027	57,266	229
2028	57,828	231
2029	58,410	234
2030	59,000	236
2031	59,599	239

Source: Austin Water.

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**Information Concerning Water Sales**

Fiscal Year Ended September 30

	<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>	
	<u>Average #</u> <u>of</u> <u>Customers</u>	<u>Thousand</u> <u>Gallons</u>								
Thousand Gallons Pumped		51,613,623		54,327,705		54,817,885		54,586,049		56,722,738
Less: Sales to Other Water Utilities (1)		<u>2,415,106</u>		<u>2,891,780</u>		<u>2,679,954</u>		2,667,647		2,797,848
Thousand Gallons to System		<u>49,198,517</u>		<u>51,435,925</u>		<u>52,137,931</u>		<u>51,918,402</u>		<u>53,924,890</u>
Water Sales:										
Retail (2)	244,707	39,265,057	248,192	43,092,238	251,090	43,446,913	253,182	41,564,757	251,090	43,603,342
City Departments	<u>614</u>	<u>758,155</u>	<u>634</u>	<u>812,618</u>	<u>632</u>	<u>819,341</u>	<u>629</u>	775,526	<u>639</u>	746,144
Total Sales to Ultimate Consumer	<u>245,321</u>	<u>40,023,212</u>	<u>248,826</u>	<u>43,904,856</u>	<u>251,722</u>	<u>44,266,254</u>	<u>253,811</u>	<u>42,340,283</u>	<u>255,752</u>	<u>44,349,486</u>
Used by Water Utility		74,339		64,680		59,480		46,594		118,619
Other Unmetered Usage		1,517,441		1,597,235		1,611,646		1,604,830		1,667,648
Loss and Unaccounted For		<u>7,583,525</u>		<u>5,869,154</u>		<u>6,200,551</u>		7,926,695		7,789,137
Thousand Gallons to System		<u>49,198,517</u>		<u>51,435,925</u>		<u>52,137,931</u>		<u>51,918,402</u>		<u>53,924,890</u>
Maximum Daily Consumption		205,963		227,564		227,868		224,733		210,371
Average Daily Consumption		116,269		128,210		128,620		123,309		129,171

(1) Includes sales to all wholesale customers.

(2) Includes residential, multifamily, commercial, and industrial customers.

Source: Austin Water.

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**Large Water Customers**

**Water and Wastewater Utility  
 Large Water Customers  
 Five Year Comparative Data (2021-2025)  
 (dollar amounts in thousands)**

	<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>	
	<u>Gallons</u>	<u>Revenue</u>								
Samsung Austin Semiconductor	2,209,533	\$12,249	2,383,134	\$13,086	2,475,074	\$13,533	2,361,100	\$ 13,268	2,230,946	\$13,416
Travis County WCID #10	753,560	2,539	908,379	2,498	897,142	2,467	835,371	2,764	899,768	2,941
University of Texas <sup>(2)</sup>	520,519	3,505	650,782	3,540	846,738	4,376	976,550	6,180	858,617	5,842
NXP USA INC (Formerly Freescale, Inc.) <sup>(1)</sup>	648,249	3,779	745,931	4,249	740,867	4,229	665,478	3,930	547,050	3,493
Cypress Semiconductor (Formerly Spansion)	332,495	2,007	348,005	1,807	391,386	2,033	357,325	2,167	353,836	2,201
Wells Branch MUD	456,577	1,445	488,547	1,270	383,265	1,000	426,074	1,366	466,788	1,470
North Austin MUD #1	400,097	1,302	461,390	1,269	379,901	1,045	413,129	1,338	431,373	1,388
Tesla Motors, Inc. <sup>(5)</sup>	1,258	7	128,143	700	318,332	1,731	374,982	2,118	544,342	3,139
Northtown MUD	317,037	969	318,331	824	314,571	815	337,180	1,020	329,625	1,001
Austin Independent School District <sup>(4)</sup>	<u>224,754</u>	<u>1,810</u>	<u>296,899</u>	<u>2,208</u>	<u>312,320</u>	<u>2,291</u>	<u>302,906</u>	<u>2,279</u>	<u>334,779</u>	<u>2,631</u>
<b>Total:</b>	<b>5,864,078</b>	<b>\$29,611</b>	<b>6,729,540</b>	<b>\$31,450</b>	<b>7,059,595</b>	<b>\$33,520</b>	<b>7,050,095</b>	<b>\$36,430</b>	<b>6,997,122</b>	<b>\$37,523</b>
 Mid America Apartments LP <sup>(3)</sup>	 241,296	 \$1,252	 233,526	 \$1,095	 203,175	 \$959	 183,924	 \$993	 196,791	 \$1,096

(1) Totals for NXP USA, Inc. include their East Austin plant site and their West Austin plant site.  
 (2) Totals for University of Texas include all accounts.  
 (3) 2019 was the first year that Mid America Apartments LP was a Top 10 customer. 2017 is the first year data was collected.  
 (4) Totals for Austin Independent School District include all campuses and locations.  
 (5) 2023 was the first year that Tesla Motors, Inc. was a Top 10 customer. 2021 is the first year data was collected.  
 (6) Total may not add due to rounding  
 Source: Austin Water.

## WASTEWATER SYSTEM

### Service Area

Austin Water provides wastewater service to customers within the corporate limits of the City and portions of Travis and Williamson Counties outside of the City. The City has entered into wholesale service contracts with four MUDs, one WCID, and the cities of Rollingwood, Sunset Valley, and West Lake Hills.

### Facilities

As of February 9, 2026, Austin Water has two main wastewater treatment plants with a total permitted capacity of 150 MGD, one biosolids treatment and beneficial reuse facility, five minor wastewater treatment plants, three land application treatment plants, one reclaim plant, and over 3,355 miles of sanitary wastewater mains and lines, and 141 City-owned, in-service lift stations. One of the two treatment plants is the Walnut Creek Wastewater Treatment Plant, which began operations in 1977, is currently operating in the 75 MGD phase with permitted capacity up to 100 MGD after expansion. The other main wastewater treatment plant is the South Austin Regional Wastewater Treatment Plant, which started operating in 1986, is currently operating in the 75 MGD phase. The Hornsby Bend Biosolids Treatment Plant operates as a sludge treatment and beneficial reuse facility and was placed in operation in 1956. The Hornsby Bend Biosolids Management Plant permit was renewed by TCEQ on April 5, 2025 with an expiration date of January 20, 2030. The Walnut Creek Wastewater Treatment Plant permit was renewed on March 12, 2020 and expired on March 12, 2025. The South Austin Regional Wastewater Treatment Plant permit was renewed on December 19, 2019 with an expiration date of December 19, 2024. Permit renewal applications were submitted to TCEQ before the expiration date and are still pending renewal. In accordance with TCEQ regulations, facilities may continue operating under their existing permits until new permits are issued. Both applications remain under review by TCEQ.

The Walnut Creek Wastewater Treatment Plant is permitted to discharge an average flow of 75 MGD. Austin Water has begun an expansion project at the Walnut Creek WWTP to expand the capacity from 75 MGD (165 MGD peak) to 100 MGD (300 MGD peak) and upgrade to Biological Nutrient Removal (BNR). The planned expansion and enhancement project is expected to be completed in 2032.

The South Austin Regional Wastewater Treatment Plant began operation in April 1986. The plant is now permitted to discharge at a rate of 75 MGD after a 25 MGD upgrade was completed in August 2006.

The Hornsby Bend Biosolids Treatment Plant serves as the City's central biosolids treatment and beneficial reuse facility. Waste biosolids from the Walnut Creek and the South Austin Regional plants are pumped to Hornsby Bend for treatment and beneficial reuse. Biosolids received at Hornsby Bend are thickened, anaerobically digested, mechanically dewatered using belt presses for beneficial reuse through off-site agricultural land composted for marketing and distribution. Excess water from thickeners, anaerobic digesters and belt presses is treated in a side-stream treatment plant and polished by treatment in large on-site ponds. Major improvements recently completed at Hornsby Bend include upgrades to sludge thickening, anaerobic digestion, dewatering, and composting facilities. Methane generated during the anaerobic digestion is used to heat the digesters and generate enough electricity to power Hornsby Bend. Excess electricity goes to the power grid. A Center for Environmental Research was established in 1989 at Hornsby Bend with the cooperation of the City, The University of Texas at Austin and Texas A&M University. The City provides laboratory, offices and research facilities at Hornsby Bend for the two universities to conduct environmental research.

In December 2009, the City purchased an operating interest in a regional wastewater collection and treatment system (the "Brushy Creek Project") from the LCRA for approximately \$12 million. The City pays its portion of capital expansions and operations and maintenance costs on an annual reserves sufficient wastewater capacity to adequately serve all of the area inside the City's jurisdiction within the watershed of the Brushy Creek Project. The cities of Austin, Round Rock, Leander, and Cedar Park all own joint interests in the Brushy Creek Project. The City of Round Rock operates and maintains the system for the cities.

Stormwater is collected in an entirely separate gravity-fed storm wastewater system and is segregated from the sanitary wastewater system. The storm water system is operated and maintained by the City's Watershed Protection Department.

### Lift Stations

In addition to the wastewater treatment plants, Austin Water owns and operates numerous lift stations. The following table shows the capacity of the four largest lift stations.

<u>Name</u>	<u>Firm Capacity (Gallons per Minute)</u>
Boggy Creek East	22,500
SAR Transfer	10,000
Tracor	5,580
Four Points #2	3,740

Source: Austin Water.

### Historical Wastewater Flows

The following table summarizes the historical influent wastewater flows to the City's wastewater treatment facilities from fiscal years 2016 through 2025.

<u>Fiscal Year</u>	<u>Total Wastewater Flow (Millions of Gallons)</u>	<u>Percent Change</u>
2016	41,668	2.4
2017	37,804	(9.3)
2018	35,996	(4.8)
2019	41,992	16.7
2020	36,127	(14.0)
2021	38,706 <sup>(1)</sup>	7.1
2022	37,002	(4.4)
2023	36,657	(0.9)
2024	40,631	10.8
2025	40,631	(6.3)

Source: Austin Water.

(1) 2021 water pumpage was higher than 2020 (see "WATER SYSTEM – Historical Water Pumpage") primarily due to below average rainfall for majority of the fiscal year, including a hotter, drier summer which increased irrigation demand but did not impact wastewater flows. Generally, periods of below average rainfall result in increased water demand and pumpage without significantly impacting wastewater influent levels. Conversely, periods of above average rainfall result in decreased water demand and pumpage while wastewater flows increase due to inflow and infiltration.

### Projected Wastewater Flows

The following table, based on actual operating experience, summarizes the annual influent wastewater flows projected to be received at Austin Water's wastewater treatment plants. Figures are subject to change pending adjustments by Austin Water.

<u>Fiscal Year</u>	<u>Total Wastewater Flow (Millions of Gallons)</u>	<u>Percent Change</u>
2026	41,632	2.5
2027	42,305	1.6
2028	43,095	1.9
2029	43,650	1.3
2030	44,320	1.5
2031	44,986	1.5

Source: Austin Water.

## COMBINED WATER AND WASTEWATER SYSTEM INFORMATION

### State and Federal Regulatory Matters

The City is subject to the environmental laws and regulations of the State and the United States in the operation of the Water and Wastewater System, including the federal Safe Drinking Water Act (the “SDWA”), the federal Clean Water Act (the “CWA”), and the Texas Water Code. These laws and the regulations issued pursuant to these laws are subject to change, both in text and in administrative interpretation, and the City may be required to improve, expand, or modify the Water and Wastewater System to maintain compliance with regulatory requirements.

Safe Drinking Water Act (SDWA)...Treated drinking water provided by Austin Water is subject to the SDWA and the rules and regulations promulgated by the United States Environmental Protection Agency (“EPA”) and the TCEQ under the SDWA to regulate a wide variety of contaminants that may be present in drinking water. All of Austin Water’s water treatment facilities and the distribution system meet or surpass the requirements of the SDWA and the rules and regulations promulgated under the SDWA.

In October 2024, the EPA published the final “Lead and Copper Rule Improvements” (the “LCRI”) under the SDWA. The EPA’s LCRI requires public water systems to complete and make publicly available a full inventory of their system’s water service lines, including components of the customer’s system, by no later than October 16, 2024. Water systems must directly notify customers served by higher risk service lines by November 30, 2024 and make plans to replace them by December 30, 2027. Also, beginning November 1, 2027, public water systems must update their lead and copper tap sample compliance monitoring plans to include the highest risk service lines. If the lead test results from such monitoring exceed the action level, lowered by LCRI to 10 parts per billion (ppb), the water system must work with the state to take steps that control corrosion and/or replace service lines that contain lead in its distribution system. Extensive water sampling and analysis protocols established by LCRI also include mandatory provisions for lead testing at elementary schools and childcare facilities.

The City completed a full inventory of Austin Water’s service lines in the summer of 2024. The inventory was made publicly available via an interactive map online, and appropriate documentation was submitted to the TCEQ ahead of the October 16, 2024, deadline. Austin Water currently has no lead lines but has identified 778 service lines as “galvanized requiring replacement” (GRR). Customers served by these higher tier risk service lines were notified of their service line status on October 18, 2024, and annually thereafter. Austin Water’s replacement program is under development with more than 100 affected customers currently signed up to have their service line replaced. Austin Water has also recruited many schools and childcare providers to participate in the state’s free voluntary Lead Testing in Schools and Child Care program.

On December 27, 2021, the EPA published the fifth Unregulated Contaminant Monitoring Rule (UCMR 5) related to polyfluoroalkyl substances, or PFAS chemicals. Drinking water providers like Austin Water were required to measure the level of 29 specific PFAS chemicals. In April 2024, the EPA finalized regulations for six of these compounds. Under the April 2024 regulations, public water systems must complete initial compliance monitoring by 2027 and, if these six PFAS are found at levels above the regulatory limits, implement solutions to reduce PFAS by 2029. However, on May 15, 2025, the EPA announced its intent to revise the drinking water PFAS rules following substantial litigation. Revisions, which are still pending but expected to be finalized in 2026, may rescind certain regulatory determinations for four of the PFAS. The established regulations for perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS) are expected to remain in place.

Austin Water conducted its first round of quarterly PFAS sampling in October 2023. Those test results have been verified by the EPA and were reported in the 2024 Annual Water Quality Report. As the rule stands, the results from each quarter of the calendar year are averaged to determine if any treatment mitigation is required by 2029. Austin Water is well positioned to use UCMR 5 and current monitoring data to meet initial monitoring requirements, and results collected thus far indicate Austin Water will be compliant with all PFAS Maximum Contaminant Levels, the legal, enforceable limit set by the EPA for the highest amount of a specific contaminant allowed in public drinking water. Austin Water draws water from the Highland Lakes, which has had many environmental protections in place for decades, including a ban prohibiting the discharge of pollutants.

Clean Water Act and Texas Water Code...The CWA and the Texas Water Code regulate Austin Water’s wastewater operations, including the collection system and the wastewater treatment plants. All discharges of pollutants into the nation’s navigable waters must comply with the CWA. The CWA allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed in permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System (the “NPDES”) program, a national program established by the CWA for issuing, revoking, monitoring, and enforcing

wastewater discharge permits. The CWA authorized the EPA to delegate the EPA’s NPDES permit responsibility to State or interstate agencies after certain prerequisites have been met by the relevant agencies. The EPA has delegated NPDES permit authority to the TCEQ, which means that the TCEQ is the lead agency for issuing CWA permits for the Wastewater System. The Wastewater System has current TPDES permits for all of its wastewater treatment facilities, issued by the TCEQ, which are also issued under authority granted to the TCEQ by the Texas Water Code. Both the EPA and the TCEQ have authority to enforce the TPDES permits. All of Austin Water’s wastewater treatment plants are in material compliance with their respective discharge permits.

**Future Capital Improvements for Water and Wastewater System**

The City Council approved Austin Water’s FY2026-2030 five-year capital improvements plan on August 15, 2025, with a total of approximately \$2.74 billion in planned investments. The capital plan includes major treatment plant improvements, reservoir upgrades, pump station and lift station rehabilitation and significant transmission, distribution and collection system projects.

Austin Water Anticipates funding the FY2026-2030 capital improvements program through a combination of cash and debt financing sources, including approximately \$2.0 billion in refunding commercial paper used for interim finance (72%), approximately \$734 million from current revenue (26%), and approximately \$6.7 million from TWDB programs (SWIFT and SRF) and other low interest financing sources (2%).

**Five Year Capital Spending Plan by Funding Source**

<b><u>Funding Source:</u></b>	<b><u>2026</u></b>	<b><u>2027</u></b>	<b><u>2028</u></b>	<b><u>2029</u></b>	<b><u>2030</u></b>	<b><u>FY26-30 Totals</u></b>
Commercial Paper	\$229,276	\$526,054	\$499,565	\$357,327	\$386,982	\$1,999,202
Current Revenue	\$135,561	\$147,354	\$148,741	\$146,399	\$155,768	\$733,821
SWIFT + SRF	\$2,267	\$2,199	\$1,172	\$1,118	\$	\$6,756
Non-Voter Approved General Obligation Debt	\$7	\$	\$	\$-	\$	\$7
<b>Total</b>	<b>\$367,111</b>	<b>\$675,607</b>	<b>\$649,478</b>	<b>\$504,843</b>	<b>\$542,749</b>	<b>\$2,740</b>

TWDB SWIFT Funding... The City submitted its State Water Implementation Fund for Texas (“SWIFT”) applications to the TWDB in fiscal year 2016 for the purposes of obtaining low-interest rate loans for the following projects: (1) development and implementation of Advanced Metering Infrastructure (“AMI”) also known as the smart meter system for Austin Water and (2) multiple capital improvement projects associated with reclaimed water systems. Funding to the City under the SWIFT program was approved by the TWDB in 2016, and loan closings to-date are \$65.6 million for projects associated with reclaimed water systems and \$105.2 million for AMI, as Parity Water/Wastewater Obligations issued by the City. Recently, the City secured approval for a multi-year commitment of \$45 million for the Polybutylene Water Service Line Replacement Program, with \$3 million closed on November 19, 2025. Additionally, \$10 million for the Travis Heights Reclaimed Water Main project was also closed on November 19, 2025.

TWDB SRF Funding & 2026 SRF Loan for Walnut Creek Wastewater Treatment Plant Expansion ... The City submitted its Clean Water State Revolving Fund (“CWSRF”) and Drinking Water State Revolving Fund (“DWSRF”) applications to the TWDB in fiscal year 2019. In February 2020, the City was awarded funding from the TWDB, in the form of low-interest CWSRF and DWSRF loans, for a combined total of \$120.83 million, of which \$67.83 million was utilized for water and \$53 million was utilized for wastewater infrastructure projects. SRF loan financings are structured as Parity Water/Wastewater Obligations of the City privately placed with the TWDB. The City has secured approval for a \$59 million loan to fund the construction of Walnut Creek Wastewater Treatment Plant expansion to 100 MGD and Enhancement projects, with loan closing anticipated in May 2026.

2026 WIFIA Loan for Walnut Creek Wastewater Treatment Plant Expansion...In 2025, the City submitted a Water Infrastructure Finance and Innovation Act (“WIFIA”) loan application to the EPA for up to \$1 billion—49% of the total

project cost, including capitalized interest—to fund the Walnut Creek Wastewater Treatment Plant Expansion to 100 MGD and Enhancements Projects. The loan closing is in the approval process, and if final approval is received from the EPA, the loan is expected to close in June 2026. Austin Water anticipates multiple draws under the loan program, with draws planned to occur through 2031.

### **Services Financed by Utility Districts**

On August 19, 1981, the City Council enacted an ordinance establishing the basic requirements for the City’s consent to the creation of a district (e.g., a MUD, WCID or fresh water supply district) created under State law for the purpose of supplying water and/or wastewater service to land within the extraterritorial jurisdiction or the city limits of the City. That ordinance has been modified, over time, by the City’s enactment of its Land Development Code, which contains provisions relating to the City’s consent to the creation of districts. On February 2, 1984, the City Council adopted a resolution that established City policy with regard to the creation of MUDs.

Districts use ad valorem taxes, fees and charges, and water and/or wastewater revenues as a financing mechanism for development of land.

Under the current process, the City consents to the formation of a district by approval of a consent ordinance, a consent agreement, strategic partnership agreement, and if necessary, a utility construction agreement. These agreements among the City, the petitioners seeking formation of the district and the district itself establish a detailed set of requirements and policy statements governing the construction within, operation of and issuance of bonds by that district.

Under the strategic partnership with the district, the district may be annexed separately and dissolved by the City. Upon annexation and dissolution of a district, the City would assume the district’s outstanding debts and other obligations, which pursuant to State law would become payable from ad valorem taxes levied and collected within the City, water and/or wastewater utility revenues and, in some cases, a surcharge fee assessed by the City to utility users within the boundaries of the annexed district. Upon annexation, the City is empowered to issue any authorized but unissued bonds of the district and to use the proceeds for improvements within the annexed district. Alternatively, some types of districts may be annexed, but not dissolved. In those instances, the City would be required only to provide services that the district does not provide and the City would not assume the district’s outstanding debt.

The City has annexed multiple MUDs since December 1997. At the time of annexation, these MUDs are converted to retail customers and the City assumes their outstanding utility system debt, if any.

In February 2011, the City Council approved a resolution that superseded the existing resolution with regard to the policy and general criteria under which the City Council will consider requests to create MUDs. The policy states that the City Council shall consider the following criteria: adherence to the comprehensive plan; extension of public infrastructure with MUD or developer financing; affordable housing; environmental improvement; public transportation facilities; open space; green building; development standards; amenities; school and public safety sites; City provision of water and wastewater services; and financial viability.

The City’s MUD policy provides for consideration of extraordinary public benefits, superior development, and enhancement of other City interests when negotiating a consent agreement. Ten new MUDs were subsequently created during the 2011 and 2013 legislative sessions, conditioned upon the City entering into a consent agreement with each existing MUD at that time. Each MUD’s enabling legislation also allows continuation of the district as a “limited district” (to operate and maintain certain assets such as parks or enforce deed restrictions) after full-purpose annexation by the City if the district and the City enter into a strategic partnership agreement. If the City did not consent to the creation of the district or enter into such agreements as are required by the terms of the City’s consent ordinance, the MUDs would have been dissolved.

Following staff and board and commission review, in March 2012, the City Council conducted public hearings and approved ordinances consenting to the creation of the nine MUDs. Subsequently, the City Council conducted public hearings regarding a strategic partnership agreement with each of the MUDs and executed Strategic Partnership Agreements with each of the nine MUDs.

In 2015 and 2017, the City annexed two additional MUDs and assumed their outstanding utility system debt.

Since 2017, the City has not annexed any additional MUDs. For additional information on the City’s annexation program, see “THE CITY – Annexation Program,” “– Past Annexation” and “– Future Annexation” in this document.

## Water Reuse Facilities

The City implemented the water reclamation initiative to develop facilities and processes to make purified wastewater effluent available for irrigation, manufacturing, toilet flushing, and cooling uses. The water reuse facilities operated as part of the Water and Wastewater System include three pump stations, two pressure zones with a boosted area, four water storage facilities with 7.5 MG in storage, and 73.4 miles of mains. An additional 10.4 miles of mains are in design or under construction. The water reuse facilities presently serve a total of 225 metered customers.

Customer demand is highly dependent on weather conditions. In calendar year 2024, customers used 1.52 billion gallons of reclaimed water. Efforts to promote the use of reclaimed water focus on existing large-volume commercial and industrial potable water users that can convert a portion of their use of treated potable water to reclaimed water. The water reuse facilities extend from the eastern edge of the City, where the reclaimed water originates at the wastewater treatment plants, to the center of the City, where most of the reclaimed water customers are located.

## Cyber and Data Security

Austin Water relies on integrated information technology (IT), operational technology (OT), and industrial control systems to support treatment, distribution, customer service, and administrative operations. While the Austin Water has not experienced a cyber incident that has materially affected its financial condition or ability to meet debt obligations, no assurances can be given that future events will not occur. As with all critical infrastructure providers, these systems may be subject to cybersecurity risks, including unauthorized access, service disruption, or data compromise. Austin Water maintains a cybersecurity and operational resilience program designed to identify, protect, detect, respond, and recover from potential cyber incidents targeted at national critical infrastructure. Security practices are aligned with recognized industry frameworks, including the National Institute of Standards and Technology (NIST) Cybersecurity Framework 800-53 and 800-82, and incorporate governance oversight, risk assessments, workforce awareness, access controls, system monitoring, and incident response planning. Operational systems supporting water and wastewater services are managed using security practices appropriate for industrial environments, including strict access controls, network segmentation, vulnerability management, and safeguards intended to prioritize public health, critical infrastructure, system reliability, and continuity of essential services. As part of its overall risk management practices, Austin Water maintains cybersecurity insurance coverage. While cybersecurity risks cannot be fully transferred, Austin Water has implemented administrative, technical, and operational controls designed to reduce risk and support the continued delivery of services and fulfillment of its financial obligations.

## Financial Policies

Austin Water performed a review of its financial policies in 2021 and recommended updates to its policies, effective from fiscal year 2022, for debt service coverage, capital expenditures, operating cash reserves and drinking water protection zones. After a public comment period and presentations to the City's Audit and Finance Committee and City Council, the updated financial policies were incorporated since fiscal year 2022 budget. Some of the more significant financial policies for Austin Water which were reviewed and approved by the City Council during the budget process are:

- Debt service coverage of at least 1.75x shall be maintained (this internal policy does not alter the City's obligation under the City's ordinances governing the Parity Water/Wastewater Obligations).
- Capital projects should be financed through a combination of pay-as-you-go financing and debt. An equity contribution ratio of at least 35% to 50% is desirable.
- Operating cash reserves of at least 180 days of budgeted operations and maintenance expense shall be maintained.
- Capital improvement projects for new water and wastewater treatment plants, capital expansions, and growth-related projects that are located in the Drinking Water Protection Zone ("DWPZ") will be identified and submitted, as part of the annual budget process, to the Water and Wastewater Commission. The Water and Wastewater Commission will review growth-related DWPZ capital projects spending plans, obtain Commission and citizen input, review consistency with Imagine Austin Comprehensive Plan, review effect on growth within the DWPZ, and make recommendations on project approval for inclusion in Austin Water's five-year capital spending plan.

In addition to the updates of financial policies since fiscal year 2022, Austin Water continues to maintain higher internal targets for budgeting purposes of a 1.85x debt service coverage ratio and 245 days operating cash reserves. Austin Water's financial policies remain unchanged since their last update in fiscal year 2022.

## Water and Wastewater Rates

As a result of persistent drought conditions affecting the Austin Water service area, Austin Water has implemented water use restrictions to varying degrees since 2011. These water use restrictions achieved their intended effect, as water use declined significantly since their imposition; however, water use declined more than forecasted by Austin Water for fiscal years 2012 through 2014, which resulted in lower than forecasted Gross Revenues during that period. See “WATER SYSTEM – Water Use Management Plans, Austin’s Integrated Water Resource Plan, and LCRA Water Management Plans” in this document.

In fiscal year 2014, Austin Water implemented a fixed revenue goal of 20%, new volumetric rates and block intervals. A revenue stability reserve fund (the “Water Revenue Stability Reserve Fund”) was established to help cover costs during extreme weather or economic events. The Water Revenue Stability Reserve Fund is an account within the Water Fund that is funded by a volumetric surcharge applied both to retail and wholesale monthly bills, which became effective in February 2013. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Service Rates” in this document. The Water Revenue Stability Reserve Fund exists separate and distinct from Austin Water Reserve Fund established by Austin Water Master Ordinance. The target funding level for the Water Revenue Stability Reserve Fund is 120 days of the budgeted water operating requirements of Austin Water, which includes operations and maintenance, and other operating transfers, but excludes debt service and other transfers. In the event that any portion of the Water Revenue Stability Reserve Fund is used, the balance will be replenished to the target level within 5 years. Upon creation of the Water Revenue Stability Reserve Fund, the goal to reach the target funding level of 120 days of budgeted water operating requirements was no later than 5 years. If the fund is drawn down prior to reaching the 120 day target during the first 5-year development period, the reserve fund surcharge shall not be lower than it was during the year in which the draw down occurred until such time as the fund reaches its 120 days of operating costs. Moneys in the Water Revenue Stability Reserve Fund are Gross Revenues of Austin Water under the Master Ordinance. The Water Revenue Stability Reserve Fund cannot be used for purposes other than for water operating purposes of Austin Water, is primarily intended to pay operating expenses or debt service on Parity Water/Wastewater Obligations related to water purposes, and may only be used to offset current year shortfalls in gross revenues of water operations that exceed 10% of budgeted levels. The City Council must approve any use of funds in the Water Revenue Stability Reserve Fund, no more than 50% of the balance would be used in any one year, and, if used, the Water Revenue Stability Reserve Fund balance will be replenished to the 120-day level within a five-year period.

As of September 30, 2025, the balance of the Water Revenue Stability Reserve Fund was \$70.7 million and funded at 122 days. No assurance can be given that the balance of the Water Revenue Stability Reserve Fund will remain at the 120-day goal; however, the volumetric surcharge for the Water Revenue Stability Reserve Fund has been reduced to a level to maintain the 120 days of Operating Expenses funding goal. As of the date of this document, Austin Water has not drawn any moneys from the Water Revenue Stability Reserve Fund. Notwithstanding the foregoing policy restrictions of the City currently in effect with respect to the use of moneys within the Water Revenue Stability Reserve Fund, the provisions of the Master Ordinance regarding the use of moneys on deposit in the Water Fund (including the Water Revenue Stability Reserve Fund in this document) govern and control.

Austin Water conducted a Cost of Service study with NewGen Strategies & Solutions LLC, in 2024 and implemented a water and wastewater combined retail rate increase of 13.3% for FY 2025, approved by City Council on August 14, 2024. In FY 2026, City Council approved a combined retail increase of 5.3%. On March 7, 2024, City Council approved a Go-Purple Community Benefit Charge of \$0.15 per thousand gallons on Austin Water customers’ water consumption and wastewater flows to support reuse strategies in the Water Forward plan. This fee became effective June 1, 2024. Any increase in the rates, charges or fees for water and wastewater services provided by the Water and Wastewater System must be approved by the City Council. Additionally, as part of the efforts to manage debt, Austin Water has used Capital Recovery Fee collections and operating funds to defease portions of outstanding Parity Water/Wastewater Obligations. This has led to approximately \$740 million in present value savings since 2016.

Austin Water prepares a five-year financial forecast each year as part of the City’s forecast and budget development process, which includes a City Council-approved policy to forecast gross revenues and operating expenses that provide for at least 1.50 times debt service coverage. The audited City of Austin Annual Comprehensive Financial Report for fiscal year 2024 reports a Water and Wastewater Utility debt service coverage of 1.88 times. The unaudited City of Austin Annual Comprehensive Financial Report for fiscal year 2025 reports a Water and Wastewater Utility debt service coverage of 2.3 times. The approved fiscal year 2026 budget for Austin Water projects debt service coverage levels in fiscal year 2026 of 2.17 times after giving effect to an additional cash defeasance transaction. The forecasted coverage levels assume the 6.6% retail water and wastewater combined rate increase approved for fiscal year 2026.

In August 2025, the City Council approved the City’s budget for the fiscal year ending September 30, 2026 (“FY 2026”) budget which includes an increase in service revenues of \$59.8 million over the fiscal year ending September 30, 2025 (“FY 2023”) approved amended budget. The Water and Wastewater service revenue budget was \$740.2 million for FY 2026.

On April 9, 2020, in response to the impact of the COVID-19 pandemic, the City Council approved a 10% rate reduction of tiers 1, 2 and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates, for both of the CAP customer rates and residential Non-CAP customer rates. These temporary rates were effective through October 31, 2020. The current Non-CAP rates that were effective November 1, 2019 resumed November 1, 2021. The CAP customer 10% rate reduction remained in effect throughout FY 2025. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water Service Rates” in this document.

The City is committed to complying with the agreements and covenants of the City in the Prior Subordinate Lien Ordinance and the Master Ordinance with respect to establishing, maintaining and collecting rates, charges and fees for water and wastewater services furnished by the Water and Wastewater System. See “DESCRIPTION OF THE BONDS – Bondholders’ Remedies,” “SECURITY FOR THE BONDS – Rate Covenant Required by Prior Subordinate Lien Ordinance” and “– Rate Covenant Required by Master Ordinance” in this document. See also, Section 4 of “APPENDIX C – COPY OF MASTER ORDINANCE” in this document.

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The following schedules present the monthly retail and wholesale customer water and wastewater rates:

**Water Service Rates**

(Effective as of November 1, 2025)

**Monthly Customer Charges**

<u>Customer Account Charge</u>	<u>Meter Size</u>	<u>Retail Equivalent Meter Charge per Month (1)</u>	<u>Multi-family Charge per Month (2)</u>	<u>Commercial Charge per Month (2)</u>
Retail Customer Account Charge(\$/Month)	5/8	\$7.75	\$12.97	\$9.16
	3/4	11.63	19.46	13.74
	1	19.38	32.43	22.90
	1½	50.38	84.31	59.54
	2	84.48	141.37	99.84
	3	142.60	238.65	168.54
	4	253.43	424.12	299.53
	6	585.13	979.24	691.58
	8	1,557.75	2,606.97	1,841.16
	10	2,712.50	4,539.50	3,206.00
	12	3,410.00	5,706.80	4,030.40
		<u>Retail per 1,000 Gals. (3)</u>	<u>Wholesale per 1,000 Gals. (3)</u>	
Water Revenue Stability Reserve Fund Surcharge		\$0.05	\$0.10	
<b>Community Benefit Charge</b>				<u>Charge per 1,000 Gals. (5)</u>
Community Benefit Charge				\$0.30
Go-Purple Community Benefit Charge				\$0.15
Purple Choice Voluntary (6)				\$6.00
<b>Residential Monthly Tiered Minimum Charge</b>		<u>Minimum Charge Per Month (4)</u>		
0 – 2,000 Gallons		\$ 1.36		
2,001 – 6,000 Gallons		3.91		
6,001 – 11,000 Gallons		10.43		
11,001 – 20,000 Gallons		23.54		
20,001 – Over Gallons		35.54		
<b>Large Volume Fixed Minimum Charge</b>		<u>Min. Charge per Month (2)</u>		
NXP - Ed Bluestein (formerly Freescale)		\$29,725.00		
NXP - W. William Cannon (formerly Freescale)		21,435.00		
Samsung		121,300.00		
Cypress (formerly Spansion)		22,835.00		
University of Texas		17,523.00		

- (1) Charge is applied to all customer classes.
- (2) Fee is charged in addition to the Retail Equivalent Meter Charge.
- (3) Surcharge is assessed to all water customers per 1,000 gallons of water billed for the billing period to fund the Water Revenue Stability Reserve Fund. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates” in this document.
- (4) Fee charge per 1,000 gallons of water and wastewater billed for the billing period to fund the CAP. Fee only applies to retail customers.
- (5) Fee is charged in addition to the Retail Equivalent Meter Charge and is applied based on the total billed consumption for the billing period as it falls within the rate block, not as a volumetric charge per 1,000 gallons.
- (6) Retail customers, including CAP customers, can opt for Purple Choice program to support the Reuse strategies outlined in the Water Forward Plan.

Source: Austin Water.

**Volume Unit Charge (1)**

	Charge per <u>1,000 Gals.</u>
<b>Single-Family Residential (Non-CAP) (2)</b>	
0 – 2,000 Gallons	\$3.27
2,001 – 6,000 Gallons	5.57
6,001 – 11,000 Gallons	10.26
11,001 – 20,000 Gallons	16.52
20,001 – Over Gallons	20.40
<b>Single-Family Residential (CAP) (2)</b>	
0 – 2,000 Gallons	\$1.37
2,001 – 6,000 Gallons	4.22
6,001 – 11,000 Gallons	8.10
11,001 – 20,000 Gallons	14.45
20,001 – Over Gallons	19.20
<b>Multi-family (3)</b>	
Off Peak	\$4.86
Peak	5.60
<b>Commercial (3)</b>	
Off Peak	\$5.57
Peak	6.35
<b>Large Volume (3)</b>	
NXP – Ed Bluestein (formerly Freescale)	
Off Peak	\$5.08
Peak	5.85
NXP – W. William Cannon (formerly Freescale)	
Off Peak	\$5.03
Peak	5.78
Samsung	
Off Peak	\$5.17
Peak	5.95
Cypress (formerly Spansion)	
Off Peak	\$5.21
Peak	5.99
University of Texas	
Off Peak	\$5.57
Peak	6.35

(1) Wholesale unit charges vary between \$2.60 and \$5.35 per 1,000 gallons.  
 (2) The City has approved an inclining block rate structure to promote water conservation for Single Family Residential customers. These rates will be administered on the basis of 1,000 gallon increments. See “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates” in this document.  
 (3) Off Peak: November 1 – June 30 bills. Peak: July 1 – October 31 bills.  
 Source: Austin Water.

**Wastewater Service Rates**  
 (Effective as of November 1, 2025)

**Customer Account Charge**

	<u>Retail Customers</u>	<u>Wholesale Customers</u>
Customer Account Charge (\$/month)	\$11.26	\$10.30

**Community Benefit Charge**

	<u>Charge per 1,000 Gallons (3)</u>
Community Benefit Charge	\$0.30
Go-Purple Community Benefit Charge	\$0.15

**Volume Unit Charge (1)**

	<u>Unit Cost per 1,000 Gallons (2)</u>
Retail	
Single-Family	
0 - 2,000 Gallons	\$6.30
2,001 - Over Gallons	13.40
Single-Family Customer Assistance Program (3)	
0 - 2,000 Gallons	\$3.80
2,001 - Over Gallons	9.85
Multi-family	\$10.71
Commercial	\$11.62
Large Volume:	
NXP – Ed Bluestein (formerly Freescale)	\$11.13
NXP – W. William Cannon (formerly Freescale)	11.62
Samsung	9.72
Cypress (formerly Spansion)	9.87
University of Texas	11.62

- (1) Wholesale unit charges vary between \$3.80 and \$5.71 per 1,000 gallons.  
 (2) Applied to average water consumption during December, January and February billing periods, or actual water consumption, whichever is lower.  
 (3) Fee is charged per 1,000 gallons of wastewater billed for all retail customers. .  
 Source: Austin Water.

**Wholesale and Outside City Rate Challenges**

The City Council has original jurisdiction over Water and Wastewater rates. State law, however, does allow water districts and any customers outside city boundaries to appeal the City’s water and wastewater rates to the Public Utilities Commission of Texas (“PUCT”).

On April 12, 2013, four of Austin Water’s wholesale water customers submitted a water rate petition challenging the City’s wholesale water rates to the TCEQ. In their petition, the four wholesale customers (North Austin MUD, Northtown MUD, Travis County WCID #10 (Westlake), and Wells Branch MUD) alleged that the City’s wholesale rates were not just or reasonable. The petition alleged the new rates disproportionately increased the monthly fixed charges; collected for costs unrelated to water service; discouraged conservation; and unfairly burdened commercial and large volume customers. The petition also asked the TCEQ to set interim rates while the appeal was pending.

The TCEQ reviewed the petition and recommended referral to the State Office of Administrative Hearings. The hearing concluded in February 2015, and the City received a final ruling from the PUCT in November 2015, which found in favor of the petitioners. The City filed a Motion for Rehearing with the PUCT, which was denied in February 2016. Subsequently, the City filed an appeal in Travis County District Court in March 2016. A hearing in the Travis County District Court was held in May 2017. In the final letter decision, the District Court Judge affirmed the PUCT final order.

On April 15, 2019, Austin Water filed an application to the PUCT for authority to change water and wastewater rates for the four wholesale water petitioners. The City withdrew this application on December 2, 2019. The case was dismissed on January 10, 2020.

The four wholesale water customers represented \$6.3 million, or 2.1%, of the approximate \$300.5 million annual water service revenue in fiscal year 2020. These four wholesale water customers rates continue to remain unchanged in fiscal year 2026.

**Water and Wastewater Capital Recovery Fees**

On September 3, 1982, the City Council adopted an ordinance under which all new non-industrial and non-commercial customers of the Water and Wastewater System must pay a Capital Recovery Fee at the time that the customer’s new tap is purchased. The fee has been revised several times since that date and is currently applied to all connections added to the Water and Wastewater System unless expressly waived by the City Council. In 1989, the City Council appointed an Impact Fee Advisory Committee and reauthorized the Capital Recovery Fee in compliance with procedures and methodology established by State law. The total Water and Wastewater Capital Recovery Fee was implemented August 5, 1999, and was most recently revised effective October 1, 2023. The revised fees are shown below, and under the terms of the Water and Wastewater System Master Ordinance, such fees do not constitute gross revenues of the Water and Wastewater System. There are several of express exemptions from payment of these fees. The City’s policy is to use Capital Recovery Fee receipts to either service debt, defease debt, or finance growth-related capital improvement projects, thus reducing the amount required to be debt financed and saving the Water and Wastewater System the related financing costs. The fees listed below are based on one service unit (5/8” meter).

Fees for lots that were platted between October 1, 2007 and December 31, 2013.

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Drinking Water Protection Zone in the City’s extraterritorial jurisdiction	\$2,500	\$1,400	\$3,900
Drinking Water Protection Zone in the City limits	2,200	1,200	3,400
Desired Development Zone in the City’s extraterritorial jurisdiction	1,800	1,000	2,800
Desired Development Zone in the City limits	1,000	600	1,600
Urban watersheds	800	500	1,300
Central urban redevelopment combining district area and the area bounded by Lady Bird Lake, Lamar Boulevard, 15 <sup>th</sup> Street, and IH-35	700	400	1,100
Outside of City’s extraterritorial jurisdiction	2,500	1,400	3,900

Fees for lots that were platted between January 1, 2014 and September 30, 2018.

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
All Areas	\$5,400	\$2,200	\$7,600

Fees for lots that were platted between October 1, 2018 and September 30, 2023.

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
All Areas	\$4,700	\$2,500	\$7,200

Fees for lots that were platted on or after October 1, 2023.

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
All Areas	\$4,800	\$2,900	\$7,700

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**Analysis of Water Bills**

	Fiscal Year Ended September 30				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Average Monthly Bill Per Customer - Water					
Residential (1)	\$45.52	\$53.30	\$52.08	\$45.74	\$52.78
Multifamily (1)	771.64	801.75	803.51	818.97	890.54
Commercial (1)	308.11	347.93	357.67	354.34	412.66
Large Volume	275,901.94	300,225.33	319,974.03	371,773.23	362,297.82
City Departments	567.15	581.43	589.40	704.36	562.66
Average Monthly Bill – Above Customers	\$92.31	\$103.43	\$103.01	\$98.02	\$109.46
Sales to Other Water Utilities (2)	\$46,391.50	\$52,454.64	\$49,407.87	\$52,077.28	\$54,929.66
Average Monthly Bill – All Customers	\$95.52	\$107.01	\$106.34	\$101.30	\$114.29
Average Monthly Use in 1,000 Gallons – Water					
Residential (1)	5.77	6.20	6.01	5.43	5.74
Multifamily (1)	137.14	143.08	143.55	142.52	147.20
Commercial (1)	47.28	50.79	52.44	51.03	54.54
Large Volume	48,271.15	53,167.57	56,917.65	64,390.33	58,755.47
City Departments	104.37	106.79	107.97	104.23	97.91
Average Monthly Use – Above Customers	13.77	14.67	14.62	13.97	14.38
Sales to Other Water Utilities (2)	12,013.09	14,163.39	13,123.60	13,964.12	14,829.22
Average Monthly Use – All Customers	14.60	15.64	15.51	14.85	15.31
Average Revenue Per 1,000 Gallons – Water					
Residential (1)	\$7.89	\$8.59	\$8.67	\$8.42	\$9.19
Multifamily (1)	5.63	5.60	5.60	5.75	6.05
Commercial (1)	6.52	6.85	6.82	6.94	7.57
Large Volume	5.72	5.65	5.62	5.77	6.17
City Departments	5.43	5.44	5.46	6.76	5.75
Average Revenue – Above Customers	\$6.70	\$7.05	\$7.05	\$7.02	\$7.61
Sales to Other Water Utilities (2)	\$3.86	\$3.70	\$3.76	\$3.73	\$3.70
Average Revenue – All Customers	\$6.54	\$6.84	\$6.86	\$6.82	\$7.37

(1) Inside and Outside City-limit customers combined.  
 (2) Includes all Wholesale customers.  
 Source: Austin Water.

**Analysis of Wastewater Bills**

	Fiscal Year Ended September 30				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Average Monthly Bill Per Customer – Wastewater					
Residential (1)	\$36.74	\$37.96	\$37.08	\$36.99	\$39.92
Multifamily (1)	1,244.10	1,331.97	1,351.26	1,431.89	1,648.72
Commercial (1)	354.73	376.86	425.77	449.38	537.61
Large Volume	283,208.25	306,821.75	337,143.11	383,609.83	426,053.64
City Departments	364.89	352.60	562.06	577.95	589.64
Average Monthly Bill – Above Customers	\$88.63	\$93.02	\$95.70	\$98.29	\$103.67
Sales to Other Utilities (2)	\$55,173.11	\$49,835.14	\$48,664.17	\$55,312.23	\$55,731.96
Average Monthly Bill – All Customers	\$111.51	\$95.35	\$97.94	\$100.60	\$105.97
Average Monthly Use in 1,000 Gallons – Wastewater					
Residential (1)	3.71	3.79	3.71	3.63	3.72
Multifamily (1)	138.16	147.96	150.16	153.12	158.98
Commercial (1)	38.45	40.94	46.39	47.06	47.43
Large Volume	38,121.63	41,143.91	42,231.61	45,892.63	44,009.30
City Departments	40.77	39.40	62.80	62.06	52.97
Average Monthly Use – Above Customers	\$9.62	\$10.07	\$10.32	\$10.26	\$10.50
Sales to Other Utilities (2)	\$10,794.51	\$10,479.49	\$9,694.91	\$11,676.27	\$11,697.34
Average Monthly Use – All Customers	\$10.13	\$10.56	\$10.77	\$10.75	\$10.98
Average Revenue Per 1,000 Gallons – Wastewater					
Residential (1)	\$9.91	\$10.01	\$10.00	\$10.19	\$10.73
Multifamily (1)	9.00	9.00	9.00	9.35	10.37
Commercial (1)	9.23	9.21	9.18	9.55	11.34
Large Volume	7.43	7.46	7.98	8.36	9.68
City Departments	8.95	8.95	8.95	9.31	11.13
Average Revenue – Above Customers	\$9.21	\$9.23	\$9.27	\$9.58	\$10.67
Sales to Other Utilities (2)	\$5.11	\$4.76	\$5.02	\$4.74	\$4.76
Average Revenue – All Customers	\$11.01	\$9.03	\$9.09	\$9.36	\$10.41

(1) Inside and Outside City-limit customers combined.

(2) Includes all Wholesale customers.

Source: Austin Water.

**OPERATING STATEMENT OF WATER AND WASTEWATER SYSTEM**  
 (in thousands rounded)

	Fiscal Year Ended September 30				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>REVENUE</b>					
<b>WATER UTILITY</b>					
Water Services	\$349,377	\$310,046	\$320,563	\$322,001	\$282,932
Miscellaneous Revenue	25,847	14,550	10,888	10,655	8,099
Revenue Stability Fee	2,275	2,187	-	-	-
Reserve Fund Surcharge	-	-	2,269	2,246	2,042
Reclaimed Revenue	<u>3,298</u>	<u>2,963</u>	<u>2,872</u>	<u>2,818</u>	<u>2,221</u>
Total Water Utility	<u>\$380,797</u>	<u>\$329,746</u>	<u>\$336,592</u>	<u>\$337,720</u>	<u>\$295,294</u>
<b>WASTEWATER UTILITY</b>					
Wastewater Services	\$345,551	303,882	\$292,078	\$280,740	\$264,020
Miscellaneous Revenue	17,396	11,080	9,761	7,469	7,907
Reclaimed Revenue	-	-	-	-	-
Total Wastewater Utility	<u>\$362,947</u>	<u>\$314,962</u>	<u>\$301,839</u>	<u>\$288,209</u>	<u>\$271,927</u>
Interest	<u>\$18,503</u>	<u>\$19,950</u>	<u>\$19,206</u>	<u>\$2,948</u>	<u>\$810</u>
TOTAL REVENUE	<u>\$762,247</u>	<u>\$664,658</u>	<u>\$657,637</u>	<u>\$628,877</u>	<u>\$568,031</u>

Source: City Financial Services Department - Financial Accounting and Reporting.

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**OPERATING STATEMENT OF WATER AND WASTEWATER SYSTEM**  
 (in thousands rounded)

<u>EXPENSE</u>	Fiscal Year Ended September 30				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>WATER UTILITY</b>					
Treatment	\$119,076	\$102,379	\$95,541	\$83,272	\$76,906
Pipeline Operations	-	-	-	-	-
Engineering Services	5,548	5,468	4,559	4,715	5,037
Water Resources Management	6,297	6,383	5,768	4,914	4,508
Environmental Affairs & Conservation	13,487	12,881	11,172	10,181	9,840
Support Services - Utility	28,366	26,401	22,512	20,503	18,098
Reclaimed Water Services	795	820	821	615	545
Other Operating Expenses	<u>46,691</u>	<u>47,731</u>	<u>38,558</u>	<u>36,690</u>	<u>33,903</u>
Total Water Utility	<u>\$220,260</u>	<u>\$202,063</u>	<u>\$178,931</u>	<u>\$160,890</u>	<u>\$148,837</u>
<b>WASTEWATER UTILITY</b>					
Treatment	\$97,788	\$84,764	\$81,193	\$70,282	\$65,910
Pipeline Operations	0	0	-	-	-
Engineering Services	9,741	8,205	7,829	8,219	7,546
Water Resources Management	5,708	5,890	5,732	5,151	5,062
Environmental Affairs & Conservation	5,506	5,307	4,383	3,715	3,349
Support Services - Utility	24,760	23,622	21,034	18,478	16,833
One Stop Shop	-	-	-	-	-
Other Operating Expenses	<u>41,410</u>	<u>46,303</u>	<u>31,446</u>	<u>29,013</u>	<u>25,213</u>
Total Wastewater Utility	<u>\$184,913</u>	<u>\$174,091</u>	<u>\$151,617</u>	<u>\$134,858</u>	<u>\$123,913</u>
<b>TOTAL EXPENSE (1)</b>	<u><b>\$405,173</b></u>	<u><b>\$376,154</b></u>	<u><b>\$330,548</b></u>	<u><b>\$295,748</b></u>	<u><b>\$272,750</b></u>
<b>NET REVENUE AVAILABLE FOR DEBT SERVICE</b>	<u><b>\$357,074</b></u>	<u><b>\$288,503</b></u>	<u><b>\$327,089</b></u>	<u><b>\$333,129</b></u>	<u><b>\$295,281</b></u>
Water Customers	256,694	255,084	252,918	250,705	247,037
Wastewater Customers	242,125	240,723	238,748	236,768	233,637

(1) Interest expense, depreciation, amortization, other non-operating items, NPO and OPEB accruals are not included in total expense. Lease and SBITA expenses are included in total expense.  
 Source: City Financial Services Department - Financial Accounting and Reporting.

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## DISCUSSION OF OPERATING STATEMENT

### Water and Wastewater System Revenues

Variations in Water and Wastewater System revenues for the period FY 2021 through FY 2025 were largely attributable to weather and system rate changes, including imposition of Stage 2 watering restrictions beginning in September 2011. See “WATER SYSTEM – Water Use Management Plans, Austin’s Integrated Water Resource Plan, and LCRA Water Management Plans” and “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Water and Wastewater Rates” in this document.

### Water and Wastewater System Expenses

Changes in Water and Wastewater System expenses for the period FY 2021 through FY 2025 were primarily attributable to inflationary increases in the cost of power and chemicals, along with system growth.

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**The Water and Wastewater System**  
 (in thousands rounded)

	Fiscal Year Ended September 30				
	2025	2024	2023	2022	2021
<b>Plant Cost</b>					
Utility Systems					
Water	\$3,767,638	\$3,608,649	\$3,465,472	\$3,318,519	\$3,177,882
Wastewater	<u>3,645,090</u>	<u>3,400,587</u>	<u>3,224,313</u>	<u>3,082,618</u>	<u>2,933,872</u>
Total Cost	<u>\$7,412,728</u>	<u>7,009,236</u>	<u>\$6,689,785</u>	<u>\$6,401,137</u>	<u>\$6,111,754</u>
Allowance for Depreciation:					
Water	\$1,282,645	\$1,219,538	\$1,162,294	\$1,103,161	\$1,039,088
Wastewater	<u>1,527,609</u>	<u>1,462,341</u>	<u>1,385,517</u>	<u>1,318,051</u>	<u>1,247,983</u>
Total Depreciation	<u>\$2,810,255</u>	<u>\$2,681,879</u>	<u>\$2,547,811</u>	<u>\$2,421,212</u>	<u>\$2,287,070</u>
Cost after Depreciation	<u>\$4,602,473</u>	<u>\$4,327,357</u>	<u>\$4,141,974</u>	<u>\$3,979,926</u>	<u>\$3,824,683</u>
<b>Equity in Utility Systems</b>					
Utility Systems	\$7,412,728	\$7,009,236	\$6,689,785	\$6,401,137	\$6,111,754
Plus: Inventories, Materials and Supplies (1)	4,966	4,116	3,083	2,180	1,750
Net Construction Assets and Unamortized Bond Issue Cost	<u>46,411</u>	<u>10,842</u>	<u>43,083</u>	<u>101,765</u>	<u>119,392</u>
	<u>\$7,464,105</u>	<u>\$7,024,194</u>	<u>\$6,735,951</u>	<u>\$6,505,082</u>	<u>\$6,232,896</u>
Less:					
Allowance for Depreciation	<u>\$2,810,255</u>	<u>\$2,681,879</u>	<u>\$2,547,811</u>	<u>\$2,421,212</u>	<u>\$2,287,070</u>
Utility Systems, Net	<u>\$4,653,850</u>	<u>\$4,342,315</u>	<u>\$4,188,140</u>	<u>\$4,112,416</u>	<u>\$3,945,826</u>
Revenue Bonds and Other Debt Outstanding (2)	\$2,707,975	\$2,521,321	\$2,473,806	\$2,503,395	\$2,517,194
Net Debt	\$2,707,975	\$2,521,321	\$2,473,806	\$2,503,395	\$2,517,194
Equity in Utility Systems	<u>\$1,945,875</u>	<u>\$1,820,994</u>	<u>\$1,714,334</u>	<u>\$1,580,4761</u>	<u>\$1,428,632</u>
Percentage of Equity in Utility Systems	41.81%	41.94%	40.93%	39.13%	36.21%

(1) Includes Revenue Bonds and Tax and Revenue Bonds of \$4,541,298,001 (net of discounts and inclusive of premiums); Commercial Paper of \$325,000,000; General Obligation Bonds of \$6,866,952; and Contractual Obligation Bonds of \$0 at September 30, 2025.

Source: City Financial Services Department - Financial Accounting and Reporting.

## LITIGATION

A number of claims against and legal proceedings challenging actions by the City are pending with respect to various matters arising in the normal course of the City's operations. The City intends to vigorously defend itself against such claims and challenges but no assurance can be given that the City will prevail in all such matters. The City Attorney and City management are of the opinion that the City's available sources for payment are adequate to discharge any foreseeable liability resulting from an adverse adjudication of any such claims and challenges and that resolution of the matters pending (including any matters described below) will not have a material effect on the City's financial condition and will not materially impair the ability of the City to pay debt service on the Parity Water/Wastewater Obligations, including the Bonds.

*Austin Transit Partnership...* The City and Austin Transit Partnership ("ATP") are involved in certain litigation related to Project Connect. In November 2023, a group of citizens filed suit against ATP alleging that its contemplated expenditure of funds for Project Connect was not aligned with the project as presented to the voters in November 2020. In February 2024, the City and ATP jointly filed a bond validation suit asking a trial court to validate and confirm that the actions and activities of the City and ATP have been undertaken in conformity with the November 2020 election. The two suits have been consolidated into a single case, and the consolidated case is on hold pending resolution of an interlocutory appeal to the Texas Supreme Court filed by the Texas Attorney General. Another lawsuit was filed in August, 2024, in Texas district court by a group of citizens against the City alleging that the voters' approval of the Project Connect tax rate increase no longer stands due to alleged significant changes to the scope of Project Connect. The trial court granted the City's motion to dismiss the lawsuit. The plaintiffs appealed the dismissal to the Texas Third Court of Appeals, where the case currently remains.

This litigation does not impact the revenues of the Water and Wastewater System pledged to pay debt service on the Parity Water/Wastewater Obligations, including the Bonds.

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## THE CITY

### Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its Home Rule Charter. The City Council is comprised of an eleven-member council, with the Mayor elected at-large, and the remaining members elected from ten single-member districts. Councilmembers, including the Mayor, serve a four-year term, with the terms staggered so that every two years five of the councilmembers and the Mayor stand for election, and five councilmembers stand for election two years later. See “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY – General Information” in this document.

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

### City Manager - T.C. Broadnax

Mr. T.C. Broadnax began serving as Austin City Manager on May 6, 2024. Prior to being appointed the City Manager of the City of Austin, he previously served as the City Manager of the City of Dallas from 2017 to 2024. Prior to joining the City of Dallas, he served as City Manager of Tacoma, Washington and has more than 25 years of local government management experience. Mr. Broadnax is an International City/County Manager’s Association Credentialed Manager and is recognized throughout the country for his contributions working in the public sector tackling issues relating to community and economic development, neighborhood revitalization, code enforcement, financial management and organizational leadership. His approach to public sector management and community engagement has been instrumental in enhancing quality of life for the residents of the cities he has served. Mr. Broadnax received a Bachelor of Arts degree in Political Science and Communications from Washburn University and a Master of Public Administration degree from the University of North Texas.

### Deputy City Manager – Jon Fortune

Mr. Jon Fortune was appointed Deputy City Manager on June 10, 2024. Prior to joining the City, Mr. Fortune served as Deputy City Manager and Assistant City Manager for Public Safety for the City of Dallas from 2017-2024 and Assistant City Manager for the City of Denton from 2000-2017. Other professional roles include Director of Management and Budget, Chief Finance Officer, and Management Services Administrator, also at the City of Denton from 1991-2000. Mr. Fortune is a credentialed manager with the International City Management Association (ICMA). His diverse experience includes leadership and oversight of all aspects of municipal operations, including public safety, emergency management, finance and budget, economic development, planning and development services, and utility and transportation operations. Mr. Fortune earned his master’s degree in Public Administration from the University of North Texas, a bachelor’s degree in Public Affairs and Administration from the University of Oklahoma and has completed the Senior Executives in State and Local Government program at Harvard University.

### Chief Financial Officer – Ed Van Eenoo

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

### Director of Financial Services – Kimberly Olivares

Ms. Kimberly Olivares currently serves as Director of Financial Services, which includes Accounting and Reporting, Procurement, Real Estate, Redevelopment, and Treasury functions. The Financial Services Department also provides P3 facility delivery and development of financing structures for strategic initiatives. Ms. Olivares joined the City in 2003 and has held positions in the City Manager’s Office, Public Works Department, and Financial Services Department. Prior roles

within Financial Services Department include CIP Budget Manager, Deputy Budget Officer, Chief Performance Officer, and Deputy Chief Financial Officer. She received her Bachelor of Arts degree from the University of Notre Dame, Master of Public Affairs from the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, and Master of Business Administration from St. Edward's University. She currently serves on the Executive Board of the Government Finance Officers Association and also serves as an Adjunct Assistant Professor at the University of Texas at Austin teaching graduate courses in public finance.

### **Deputy Chief Financial Officer – Diana Thomas**

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

### **Services Provided by the City**

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

### **Employees**

Municipal employees are prohibited from engaging in strikes and collective bargaining under State law. An exception allows fire and police employees to engage in collective bargaining (but not the right to strike) after a favorable vote of the electorate. The voters have approved collective bargaining for firefighters 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.

### **Annexation Program**

Chapter 43 of the Texas Local Government Code regulates annexation of property by Texas municipalities. Under current State law, landowner and/or voter approval is required as part of the process for the annexation of territory into a city. The process varies depending on the characteristics of the area being considered for annexation, generally involving a petition from each landowner, a petition signed by registered voters and owners of land in the area, or an election at which qualified voters approve the proposed annexation. Additionally, the process involves staff review, development of a written service agreement (or regulatory plan for a limited purpose annexation), notification, publication of a newspaper notice, public hearings, and ordinance approval.

Upon approval, the city provides a wide range of services to the annexed area – police and fire protection, emergency medical services, solid waste collection, and maintenance of public facilities such as water and wastewater, roads, streets, and parks. Failure to provide municipal services in accordance with the service plan may provide grounds for a petition and court action to compel compliance with the service plan or to disannex the area, and may also result in a refund of taxes and fees collected for services not provided. The City has never been forced to disannex due to such failure.

Some of the areas which may be considered for annexation include developed areas for which water, sewer, and drainage services are being provided by utility districts created for such purposes. Existing utility districts, as well as new districts that may be created from time to time, may issue bonds for their own improvements. Such bonds are generally payable from the receipts of ad valorem taxes imposed by the district and, in some cases, are further payable from any net revenues derived from the operation of its water and sanitary sewer systems. State law generally requires that if a city annexes a district, then the district must be annexed in its entirety. Upon annexation by a city, a district is dissolved and the city assumes the district's outstanding bonds and other obligations. The city then levies and collects ad valorem taxes on taxable property within the corporate limits of the city, including the districts, sufficient to pay the principal of and interest on such assumed bonds.

The City also assumes liabilities when it annexes land in an Emergency Services District (“ESD”) and that land is disannexed from the ESD. This liability, however, is limited to assumption of a pro-rata share of debt and assumption of those facilities directly used to provide service to the area.

The City Charter and the State’s annexation laws provide the City with the ability to undertake two types of annexation. “Full purpose” annexation discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as “limited purpose” annexation by which territory may be annexed for the limited purposes of “Planning and Zoning” and “Health and Safety.” Territory so annexed is subject to ordinances relating to these purposes: chiefly, the City’s zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for a limited purpose because municipal services are not provided and residents of the area are restricted to voting only in City elections for City Council and Charter amendments.

**Annexations**

The following table sets forth (in acres) the City’s annual annexations since 2015.

<u>Calendar Year</u>	<u>Full Purpose Acres</u> <sup>(1)</sup>	<u>Limited Purpose Acres</u>
2015	1,911	3
2016	311	0
2017	1,283	0
2018	136	0
2019	185	166
2020	65	0
2021	92	243
2022	5,475	51
2023	12	0
2024	-887	0
2025	0	0

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

**Past Annexation**

In August 2023, the City annexed 12 acres at the request of property owners for full-purpose jurisdiction. The single annexation case was greenfield development proposed for high-density multifamily housing.

In 2022, the City annexed 5,526 acres at the request of property owners, of which 5,475 acres were full-purpose annexations and 51 acres were limited purpose annexations. The largest full purpose annexations were for City owned water quality protection lands, which totaled approximately 5,100 acres.

In 2020 and 2021, the City conducted full purpose annexations of greenfield land at the request of property owners. The 157 acres annexed during this time were proposed for development as residential and light industrial uses. In 2019, the City annexed for limited purposes several recently acquired and vacant outparcels located in the Pilot Knob MUD development project. Additionally, at the landowner’s request, the City annexed for full purposes a 126-acre undeveloped parcel which the landowner plans to develop into a corporate campus.

In 2018, the City annexed and dissolved the Cascades MUD No. 1 at the request of the property owner. At the time of annexation, the area was undeveloped and the MUD had not issued any debt. The property owner determined that the proposed Cascades at Onion Creek subdivision could be developed as originally planned without the need for a MUD and the City agreed to annex and dissolve the MUD. The taxable assessed value (“TAV”) at the time of annexation was \$584,827.

The largest of the 2017 annexations was the River Place MUD, area which converted approximately 1,040 acres from the City’s limited purpose jurisdiction to full purpose. This area included an estimated population of approximately 3,125 persons. In addition, the City annexed several commercial properties in south Austin. The total TAV for these areas at the time of annexation was \$697.2 million.

The City's 2016 annexation program included the full purpose annexation of five areas containing approximately 311 acres. With the exception of a small amount of office/warehouse/commercial uses, these areas were largely undeveloped at the time of annexation. Approved development plans include an additional 651 single-family homes and 97 multi-family units. The TAV for these areas at the time of annexation was approximately \$19.3 million.

In 2015, the City annexed eleven areas for full purposes and one area for limited purposes. These areas included an estimated total population of approximately 3,912 persons, mainly within the Lost Creek subdivision. Approved development plans for the remaining areas include an additional 1,944 single-family homes. The TAV for these areas at the time of annexation was approximately \$25.4 million.

### **Future Annexation**

Annexations continue to be considered at the request of property owners. No large-scale annexations are currently scheduled in the near future.

### **Disannexation**

In 2023, the 88th Texas Legislature passed House Bill 3053, which requires cities of more than 500,000 people to hold disannexation elections for inhabited areas that they had annexed between March 3, 2015, and Dec. 1, 2017.

On May 4, 2024, six separate special municipal elections were held in different areas in the City, on the question of disannexing each of those six areas. Voters in the parcels of Lost Creek (738 acres), Blue Goose Road (28 acres), and River Place (212 acres) each voted to approve disannexation from the City. On August 29, 2024 the City conducted a public hearing and adopted an ordinance disannexing the Lost Creek, Blue Goose Road, and River Place parcels effective September 9, 2024. The disannexed areas are no longer a part of the City, but still receive utility services from Austin Water and Austin Energy.

In 2025, during the 89<sup>th</sup> Regular Texas Legislative Session, the Legislature enacted Texas Senate Bill 1844, which amended Texas Local Government Code Section 43.141 and became effective on September 1, 2025. Texas Senate Bill 1844 requires the City to approve disannexation petitions submitted by property owners whose property is adjacent to a navigable waterway and located in an area where a majority of the properties in the petition do not receive municipality water and wastewater services.

Since September 1, 2025, the City has received 25 petitions requesting the disannexation of multiple properties in the Lake Austin area. On November 20, 2025, the City Council conducted public hearings and approved the disannexation of two properties (approximately 1.33 acres total). On December 11, 2025, the City Council conducted public hearings and approved the disannexation of 152 properties (approximately 143.72 acres total). On January 22, 2026, the City Council conducted public hearings and approved the disannexation of three properties (approximately 1.08 acres total). On February 5, 2026, the City Council conducted a public hearing and approved the disannexation of one property (approximately 1.02 acres total). Additional disannexation petitions are scheduled for consideration at upcoming City Council meetings in late February and March. The City anticipates receiving additional petitions in the future.

### **Pension Plans**

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

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

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

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

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

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

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

As of December 31, 2024, the COAERS reported a total net pension liability of \$2.4 billion, of which \$440.3 million is allocable to Austin Energy, \$259.7 million is allocable to Austin Water, and \$113.4 million is allocable to Aviation. The COAERS' fiduciary net position as a percentage of the total pension liability was 59.9%. The actuarial accrued liability for the COAERS as of December 31, 2024, was \$6.0 billion and the funded ratio was 61.2%. As of December 31, 2023, the COAERS reported a net pension liability of \$2.3 billion with a plan fiduciary net position as a percentage of the total pension liability of 58.4%. The actuarial accrued liability for the COAERS was \$5.6 billion and the funded ratio was 62.1%.

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

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

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

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

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

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

As of December 31, 2024, the Police Retirement System reported a net pension liability of \$795.7 million for the 2024 plan year, which is an increase from the \$763.6 million net pension liability reported for the prior 2023 plan year. The fiduciary net position as a percentage of the total pension liability increased to 57.6% for the 2024 plan year from 57.1% in the prior year. For plan year 2024, the Police Retirement System adopted changes to certain plan assumptions in March 2024, based on an experience study dated March 20, 2024, with experience data from January 1, 2018 through December 31, 2022. The assumption changes included a reduction in the wage inflation assumption (from 3.0% to 2.5%), an increase in the administration expenses (from 0.90% to 1.25%), and increases in the overall termination and retirement rates to align with experience and future expectations. The assumption changes, among other contributing factors, resulted in an increase to the actuarial accrued liability. A full description of the assumptions for the Police Retirement System is available in the actuarial reports available on its website.

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

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

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

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

Members hired before January 1, 2026 are eligible to retire at 50 years of age with at least 10 years of service credit or with at least 25 years of service credit at any age. Retirement benefits are paid in the form of a monthly life annuity based on

years of service times the highest 36 months of salary during the member's contributing years of service and the multiplier is 3.3%. Early retirement options are also available.

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

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

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

### **Other Postemployment Benefits**

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

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

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

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

The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City funds its OPEB liabilities on a pay-as-you-go basis. The pay-as-you-go cost of providing medical and life benefits was \$65.5 million in fiscal year 2024 and \$74.8 million in fiscal year 2023.

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

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

## Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately \$10.1 million for claims and damages at the end of fiscal year 2024. Employee injuries are covered by the City's Workers' Compensation Fund and health claims are covered by the City's Employee Benefits Fund. The accrued liabilities for certain claims and expenses for enterprise funds of the City are funded separately, from funds of the respective enterprise systems.

## INVESTMENTS

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

### Legal Investments

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

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State or its agencies and instrumentalities including the Federal Home Loan Banks;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State 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 and are guaranteed or insured by a combination of cash and the FDIC or the NCUSIF, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits;
- (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) and (12) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State;
- (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency;

- (12) commercial paper with a stated maturity of 365 days or less that is rated not less than “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank;
- (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with the United States Securities and Exchange Commission Rule 2a-7;
- (14) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities;
- (15) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than “AAA,” “AAA-m” or at an equivalent rating by at least one nationally recognized rating service; and
- (16) a brokered certificate of deposit security invested through a Texas broker approved by the City Council in which the broker or depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity in an amount insured by the United States or an instrumentality of the United States.

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

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

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

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

The City, as the owner of a municipal electric utility that is engaged in the sale of electric energy to the public, may invest funds held in a “decommissioning trust” (a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation) in any investment authorized by Subtitle B, Title 9, Texas Property Code (“Texas Trust Code”). The Texas Trust Code provides that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. The City has established an external irrevocable trust for decommissioning with Wilmington Trust, N.A. The decommissioning trust market value, as of December 31, 2025, was \$297,084,044.

The City is specifically prohibited from investing in:

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and
- (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

## Investment Policies

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

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

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

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

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

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

## Additional Provisions

Under State law, the City is additionally required to, among other things:

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

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

### Current Investments

As of December 31, 2025<sup>(1)</sup>, the City's investable funds were invested in the following categories.

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

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

<sup>(1)</sup> Unaudited.

## TAX MATTERS

### Opinion

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

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the United States Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

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

current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the 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 (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

### **Collateral Federal Income Tax Consequences**

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

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

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

Interest on the Tax-Exempt Obligations may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

#### **State, Local and Foreign Taxes**

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

#### **Information Reporting and Backup Withholding**

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

#### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **CONTINUING DISCLOSURE OF INFORMATION**

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

## Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of this document within the following tables:

- 1) "WATER SYSTEM – Historical Water Pumpage,"
- 2) "WATER SYSTEM – Projected Water Pumpage,"
- 3) "WATER SYSTEM – Information Concerning Water Sales,"
- 4) "WATER SYSTEM – Large Water Customers,"
- 5) "WASTEWATER SYSTEM – Historical Wastewater Flows,"
- 6) "WASTEWATER SYSTEM – Projected Wastewater Flows,"
- 7) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION– Water Service Rates,"
- 8) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Wastewater Service Rates,"
- 9) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Water Bills,"
- 10) "COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Wastewater Bills,"
- 11) "OPERATING STATEMENT OF WATER AND WASTEWATER SYSTEM,"
- 12) "DISCUSSION OF OPERATING STATEMENT – The Water and Wastewater System,"
- 13) The table of annual results of the City's annexations in "THE CITY – Annexations,"
- 14) "INVESTMENTS – Current Investments," and
- 15) Audited financial statements of the City, if not provided as part of such financial information and operating data, when and if available.

The City will (1) update and provide this financial information and operating data within six months after the end of each fiscal year, beginning with the fiscal year ending in 2026 and (2) if not provided as part of the financial information and operating data, audited financial statements, when and if available. If audited financial statements are not available within 12 months after any such fiscal year end, the City will provide notice that the audited financial statements are not available and will file unaudited financial statements within such 12-month period and audited financial statements for such fiscal year when and if the audit report on such statements becomes available. The City will provide the updated information to the MSRB through the Electronic Municipal Market Access system. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available as described above) by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

## Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the event, of any of the following events with respect to the 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 or obligated person; (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 Bond 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 Fifty-First Supplement. Neither the Bonds nor the Fifty-First Supplement make any provision for debt service reserves or liquidity enhancement. See “SECURITY FOR THE BONDS - Bonds Not Secured by any Debt Service Reserve Fund” in this document. 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 Fifty-First Supplement.

As used in clause (12) above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in clause (15) and clause (16) above, the term “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 (i) or (ii); 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. The term “Business Day” means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located.

#### **Availability of Information**

In connection with its continuing disclosure agreement entered into with respect to the 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](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement. No default by the City in observing or performing its obligations under its continuing disclosure undertaking for the Bonds shall constitute a breach of or default under the Fifty-First Supplement for purposes of any other provision of the Fifty-First Supplement.

The City may amend its continuing disclosure agreement for the Bonds 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 such Bonds in the offering described in this document in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding 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 holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of its continuing disclosure agreement for any series of Bonds 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 such 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 “CONTINUING DISCLOSURE OF INFORMATION - 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.

## OTHER RELEVANT INFORMATION

### Ratings

The Bonds have received ratings of “[ ]” (stable outlook) from Moody’s Ratings, Inc. (“Moody’s”), “[ ]” (stable outlook) from S&P Global Ratings, a division of S&P Global Inc. (“S&P”), and “[ ]” (stable outlook) from Fitch Ratings, Inc. (“Fitch”). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price and marketability of the 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 of Bonds

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 this document; 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

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFLA requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER RELEVANT INFORMATION – Ratings” in this document. 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 capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### Legal Opinions

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 special obligations of the City in accordance with their terms payable solely from and, together with the outstanding Parity Water/Wastewater Obligations, equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water and Wastewater System in the manner provided in the Fifty-First Supplement and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under “TAX MATTERS” in this document, including the alternative minimum tax on certain corporations. The form of Bond Counsel’s opinion is attached to this document as “APPENDIX D.”

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility for this Official Statement or undertaken independently to verify any of the information contained in it, except that, in their capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions “PLAN OF FINANCING,” “SECURITY FOR THE BONDS,” “DESCRIPTION OF THE BONDS,” “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION,” “OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds,” “OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas” and “OTHER RELEVANT INFORMATION – Legal Opinions,” and in

“APPENDIX C” to verify that the information relating to the Bonds, the Master Ordinance and the Fifty-First Supplement contained under such captions and in APPENDIX C in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. The opinion of Bond Counsel will accompany the global certificate deposited with DTC in connection with the use of the Book-Entry-Only System. In addition, certain legal matters will be passed upon (i) for the Underwriters by Kassahn & Ortiz, P.C., Underwriters’ Counsel, and (ii) for the City by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel. The payment of legal fees to Bond Counsel, Underwriters’ Counsel, 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 a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

### **Municipal Advisor**

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

### **Independent Auditors**

The financial data listed as fiscal year 2026 has been derived from the unaudited internal records of the City. The City’s independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City as of September 30, 2025 and for the year then ended included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX B.

### **Underwriting**

The Underwriters have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the City at the interest rates shown on page ii of this Official Statement, at a price of \$[ ] (representing the par amount of \$[ ] plus a [net] reoffering premium of \$[ ], less an underwriting discount of \$[ ]). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

BofA Securities, Inc. (“BofA Securities”), an Underwriter of the Bonds has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Piper Sandler & Co., an underwriter of the Bonds, has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research,

principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

### **Forward-Looking Statements**

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included in this document are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

### **Verification of Arithmetical and Mathematical Calculations**

Prior to delivery of the Bonds, the Verification Agent, Robert Thomas, CPA, LLC, will deliver to the City its report indicating that it has examined the mathematical accuracy of computations prepared by PFM relating to the sufficiency of the payments on the Escrowed Securities and cash to be deposited in the Escrow Fund.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that it has no obligation to update its report because of events occurring, or data or information coming to their attention, subsequent to the date of their report. The report of the Verification Agent will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion of interest on the Bonds for federal income tax purposes and with respect to the defeasance of the Refunded Bonds.

### **Miscellaneous Information**

The financial data and other information contained in this document have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained in this document will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances.

These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects. The Fifty-First Supplement approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the offering of the Bonds by the Underwriters.

/s/ \_\_\_\_\_  
Mayor  
City of Austin, Texas

ATTEST:

/s/ \_\_\_\_\_  
City Clerk  
City of Austin, Texas

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**SCHEDULE I**  
**SUMMARY OF REFUNDED BONDS <sup>(1)</sup>**

**Water and Wastewater System Revenue Refunding Bonds, Series 2015A**

<u>Maturity</u>	<u>Interest Rate</u>	<u>Par Amount Refunded</u>	<u>Call Date</u>	<u>Call Price</u>	<u>CUSIP<sup>(2)</sup></u>
05/15/2028	3.200%	\$3,775,000		100.00	
11/15/2028	3.250%	3,235,000		100.00	
05/15/2029	3.350%	3,895,000		100.00	
11/15/2029	3.375%	1,290,000		100.00	
05/15/2030	5.000%	8,925,000		100.00	
11/15/2030	5.000%	1,345,000		100.00	
11/15/2031 <sup>(3)</sup>	5.000%	3,100,000		100.00	
11/15/2032 <sup>(3)</sup>	5.000%	3,255,000		100.00	
11/15/2033 <sup>(3)</sup>	5.000%	10,775,000		100.00	
11/15/2034 <sup>(3)</sup>	5.000%	11,330,000		100.00	
11/15/2035 <sup>(3)</sup>	5.000%	11,905,000		100.00	
11/15/2036 <sup>(3)</sup>	5.000%	12,110,000		100.00	

- (1) Preliminary, subject to change. The refunding of any of the Refunded Bonds is contingent upon the delivery of the Bonds. The maturities and principal amounts of the Refunded Bonds, if any, to be refunded will depend on market conditions when the Bonds are sold and could differ materially from the information shown above. See "PLAN OF FINANCING" in this document.
- (2) CUSIP numbers have been assigned by FactSet Research Systems Inc. on behalf of the American Bankers Association. None of the City, the Municipal Advisor or the Underwriters are responsible for the selection or the correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.
- (3) Represents a term maturity.

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY

#### GENERAL INFORMATION

The City of Austin (the “City”), chartered in 1839, has a Council-Manager form of government with a Mayor who is elected at large and ten Council members who are elected by geographic district. The districts, drawn by an independent citizen’s commission, are to be adjusted after each U.S. census. Following results of the 2020 Census, the Independent Citizens Redistricting Commission presented a certified map to City Council in October 2021 and the new geographic districts were implemented in 2022. The City’s elected officials serve four-year staggered terms subject to a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees, except City Council appointees, and for the administration of all City affairs.

Austin, the capital of Texas, is the fifth most populous city in the state (behind Houston, San Antonio, Dallas, and Fort Worth) and in 2024 became the eleventh largest city in the nation with a population of just under 1 million according to City and U.S. Census Bureau estimates. Geographically, Austin consists of approximately 305 square miles, 7 of those miles are made up of bodies of water. The current estimated median household income for Austin residents is \$83,830 according to data reported by Claritas LLC, and Austin’s per capita personal income is estimated to be \$86,900.

Higher education remains a significant aspect of life in the Austin area. More than 58.2% of Austin residents over 25 years of age hold a bachelor’s degree, which remains significantly higher than the state or national rates. Austin is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), a world-class center of education and research, consistently ranks in the top 10 largest public universities in the U.S. in terms of undergraduate enrollment. In the 2024 U.S. News & World Report Best Colleges survey, the university climbed two spots to rank seventh among public universities.

#### Major Initiatives

*Imagine Austin* – Imagine Austin, a comprehensive plan for the City’s future approved by City Council in June 2012, sets a context to guide decision-makers for the next 30 years. The plan adheres to six core principles established in collaboration with Austin citizens:

- Grow as a compact, connected city
- Integrate nature into the city
- Provide paths to prosperity for all
- Develop as an affordable and healthy community
- Sustainably manage water, energy, and other environmental resources
- Think creatively and work together

*Citywide Strategic Plan* – In keeping with the goals of incorporating performance management in the budget process and following conclusion of the City’s most recent plan, Strategic Direction 2023 (SD23), the City adopted the Citywide Strategic Plan (CSP). The CSP is a shared blueprint that guides decision-making and drives progress toward the City’s goals. The City’s approach to strategic planning emphasizes shared vision and values, council priorities, measurable progress, and actionable strategies. The development of the CSP is guided by six foundational values, known as Strategic Anchors. These anchors are embedded throughout the plan’s content and help ensure that all goals, measures, and strategies are aligned with the City’s core principles. The new strategic plan anchors are organized around six categories – Equity, Affordability, Innovation, Sustainability & Resiliency, Proactive Prevention, and Community Trust & Relationships.

The CSP Strategic Priorities are high level categories used to organize the goals, measure, and strategies. There are seven CSP Strategic Priorities:

1. Community Health & Resilience
2. Economic & Workforce Development
3. Equitable Service Delivery
4. Homelessness & Housing
5. Mobility & Critical Infrastructure
6. Organizational Excellence
7. Public Safety

## **FINANCIAL INFORMATION**

### **Internal Controls**

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

### **Financial Policies**

The City adopted a comprehensive set of Financial Policies to ensure that the City's financial resources are managed in a prudent manner and to provide a foundation for financial sustainability. Compliance with these policies is reviewed annually as part of the budget process. The policies and results of the review are published in the Approved Budget document. An important element of the policies dictates that current revenue will be sufficient to support current expenditures (defined as "structural balance"). Assigned and unassigned fund balances in excess of what is required shall normally be used to fund capital items. The City maintains the goal of a structurally balanced budget to achieve long-term financial stability for the City. Beginning with the fiscal year 2024 budget, City Council approved an amendment to the General Fund financial policies to increase the Emergency Reserve from 8% to 10%. Also, due to the loss of revenue flexibility with the property tax cap, the City increased the total General Fund reserve level target from 14% to 17% of General Fund requirements.

### **Long-term Financial Planning**

The City continually looks towards and plans for the future. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the following year's operating budget. In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. Such an approach assists in aligning the City's CIP investments with the Imagine Austin Comprehensive Plan and the City Council's strategic priorities as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a rapidly growing community and strategic investments that support community priorities. City departments prepare a number of long- and mid-range service plans that provide input into decisions made in the planning and budgeting process. These plans range from clean energy and climate protection to strategic mobility planning and ensuring the City parks, facilities, and programs keep pace with the City's growth. Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. It also results in positive bond ratings, which measures the City's ability to repay its debt. A strong bond rating allows for lower interest expense. The City's bond rating for general obligation bonds is "AAA", the highest rating available, from S&P Global Ratings and Fitch Ratings, Inc, and "Aa1" from Moody's Ratings, Inc.

## **Budgetary Control**

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

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one department to another. As demonstrated by the statements and schedules included in the 2025 ACFR, the City continues to meet its responsibility for sound financial management.

## **Fiscal Year 2024-25 Budgetary Information**

The fiscal year 2025 Budget continued a focus on employee retention. Council approved a 4% across the board civilian wage increase. Council also approved an increase to the Living Wage from \$20.80 per hour to \$21.63 per hour. The budget development process integrated a collaborative approach to the City's finances with business planning, performance measurement, and resident input. By organizing around City Council identified strategic goals, the document focused more on the bigger picture and less on the details of departmental expenditures. Input was gathered and evaluated to address the issues, concerns, and priorities identified by Austin's citizens, employees, boards and commissions, and Council members. The fiscal year 2025 budget was developed with a focus on the prioritizing investments reflecting the principles of the Austin community, improving essential City services, and managing financial uncertainty through strategic financial stewardship. Substantial investments in the fiscal year 2025 budget directly responded to priorities in the critical areas of affordability, resiliency, quality of life, public safety and homelessness.

The balanced fiscal year 2025 Approved Budget totals \$5.9 billion and includes \$1.4 billion for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services for the citizens of Austin and visitors. Budgeted revenue comes from utility charges (43%), various taxes, including property and sales tax (29%), charges for services and goods (15%), and other revenue such as interest, fees, and transfers (13%). The fiscal year 2025 budget was approved with a \$3.18 increase to the property tax rate, from 44.58 cents to 47.76 cents per \$100 of taxable value. Increases in utility fees for Austin Energy, Austin Resource Recovery and the Transportation User Fee created an overall 7.1% increase in City taxes and charges paid by the typical Austin homeowner.

## **Fiscal Year 2025-26 Budget Information and Tax Rate Election**

The Approved fiscal year 2026 General Fund Budget was prepared in accordance with guidelines provided by the City Council. The City adopted its fiscal year 2025-26 budget at a meeting held August 13, 2025. At such meetings, the City Council determined that the budget would need more taxes than the current fiscal year provided and adopted an ad valorem tax rate of \$0.5704017, which consists of \$0.460282 for maintenance and operations and \$0.113735 for debt service.

The adoption of the 2025-26 fiscal year budget and a tax rate of \$0.574017, was 5-cents above the voter-approval rate, triggered a tax rate election that was held on November 4, 2025. The tax rate increase was intended to support the funding or expanding of programs to increase housing affordability and reduce homelessness; improve parks and recreation facilities and services; enhance public health services and public safety; ensure financial stability; and provide for other general fund maintenance and operation expenditures included in the fiscal year 2025-26 budget. The November 4, 2025 tax rate election was unsuccessful, so the City's Fiscal Year 2025-26 tax rate reverted to the voter-approval tax rate of \$0.524017, including a rate of \$0.410282 for maintenance and operations. The City Council approved an amended Fiscal Year 2025-2026 budget on November 20, 2025 reflective of the voter-approval tax rate of \$0.524017 (\$0.410282 for maintenance and operations and \$0.113735 for debt service).

The City's largest enterprise department, Austin Energy, serves just over half a million customers within a service territory of approximately 437 square miles in the Greater Austin area. Austin Energy's fiscal year 2026 budget is \$2.0 billion in revenue and which includes a 5% increase in base rates. In addition to base rates, the City Council approved pass-through rates to the Power Supply Adjustment, Regulatory Charge, and Community Benefit Charges that are reviewed at least annually and are passed through dollar-for-dollar on customers' bills. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources such as solar and wind.

The City's second largest enterprise department is Austin Water, which provides water and wastewater services to more than one million retail and wholesale customers spanning more than 548 square miles within the Austin and surrounding areas. On August 13, 2025, the City Council approved the fiscal year 2026 budgeted revenues and transfers in of \$829.3 million and includes a 9.6% rate increase for the average residential customer to improve system resiliency, keep pace with customer growth, and support operational optimization for Austin Water.

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**ADDITIONAL INFORMATION**

**Ten Largest Employers (As of September 30, 2025)**

<u>Employer</u>	<u>Industry</u>	<u>Employees</u>	<u>Percent of MSA Total</u>
State Government	Government	40,460	2.97%
The University of Texas at Austin	Education	32,193	2.37%
HEB Grocery Stores	Grocery/Retail	22,955	1.69%
City of Austin	Government	16,195	1.19%
Ascension Seton	Healthcare	14,842	1.09%
Federal Government	Government	14,700	1.08%
Dell Computer Corporation	Computers	13,000	0.96%
Tesla, Inc.	Manufacturing	12,277	0.90%
St. David's Healthcare Partnership	Healthcare	11,484	0.84%
Amazon LLC	Retail	11,000	0.81%

Source: 2025 Annual Comprehensive Financial Report.

**Demographic and Economic Statistics - Last Ten Years**

<u>Year</u>	<u>City of Austin Population (1)</u>	<u>Area of Incorporation (Square Miles) (1)</u>	<u>Population MSA (2)</u>	<u>Income (MSA) (thousands of dollars) (2)</u>	<u>Median Household Income MSA (3)</u>	<u>Per Capita Personal Income MSA (3)</u>	<u>Unemployment Rate (MSA) (4)</u>
2015	899,119	323	2,002,591	\$103,244,100	\$52,519	\$51,555	3.4%
2016	925,491	326	2,062,211	107,664,294	56,163	52,208	3.3%
2017	946,080	325	2,115,230	117,458,116	56,849	55,530	3.1%
2018	963,797	326	2,168,316	127,439,164	63,191	58,773	2.9%
2019	980,886	327	2,187,161	138,650,094	65,950	63,393	2.6%
2020	989,327 (5)	327	2,235,584	150,639,599	69,001	64,913	6.3%
2021	1,012,421 (5)	327	2,298,224	163,778,682	71,186	71,300	3.5%
2022	1,024,232 (5)	328	2,421,115	181,870,848	80,412	75,119	2.8%
2023	1,037,887 (5)	333	2,473,275	199,026,444	80,284	80,471	3.6%
2024	1,054,127	331	2,526,214 (6)	219,406,316 (5)	83,830 (6)	86,900	3.4%
2015-2024 Change	17.24%	2.48%	26.15%	112.51%	59.62%	68.56%	

Note: Prior year statistics are subject to change as more precise numbers become available.

- (1) Source: City Demographer, City of Austin, Planning Department based on full purpose area as of September 30, 2024.
- (2) Source: Bureau of Economic Analysis.
- (3) Source: Claritas, a Nielson Company.
- (4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30, 2024.
- (5) The City Demographer has restated the full-purpose population for 2020-2023.
- (6) Data not available for 2024. Figures are estimated.

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

Period	Amount										
1-1-20	\$20.198	1-1-21	\$19.781	1-1-22	\$26.385	1-1-23	\$29.410	1-1-24	\$30.174	1-1-25	\$28.935
2-1-20	26.824	2-1-21	25.532	2-1-22	30.963	2-1-23	33.666	2-1-24	33.772	2-1-25	36.046
3-1-20	20.704	3-1-21	18.927	3-1-22	24.307	3-1-23	27.506	3-1-24	26.712	3-1-25	28.110
4-1-20	19.065	4-1-21	17.768	4-1-22	24.174	4-1-23	26.758	4-1-24	29.106	4-1-25	25.766
5-1-20	20.801	5-1-21	26.089	5-1-22	31.042	5-1-23	32.064	5-1-24	34.679	5-1-25	32.199
6-1-20	16.875	6-1-21	23.139	6-1-22	27.873	6-1-23	25.599	6-1-24	29.904	6-1-25	30.225
7-1-20	18.096	7-1-21	23.952	7-1-22	28.586	7-1-23	29.860	7-1-24	29.966	7-1-25	30.136
8-1-20	21.667	8-1-21	26.558	8-1-22	31.773	8-1-23	32.428	8-1-24	30.586	8-1-25	30.483
9-1-20	19.750	9-1-21	25.021	9-1-22	29.397	9-1-23	28.401	9-1-24	30.105	9-1-25	31.123
10-1-20	19.178	10-1-21	25.356	10-1-22	29.675	10-1-23	29.965	10-1-24	29.612	10-1-25	29.766
11-1-20	22.036	11-1-21	28.990	11-1-22	31.441	11-1-23	30.475	11-1-24	31.260	11-1-25	32.456*
12-1-20	20.670	12-1-21	25.930	12-1-22	29.425	12-1-23	29.037	12-1-24	31.267	12-1-25	33.169*
	<u>\$245.864</u>		<u>\$287.043</u>		<u>\$345.041</u>		<u>\$355.169</u>		<u>\$367.143</u>		<u>\$302.789</u>

(1) Sales taxes are not pledged to the payment of the Bonds.

\*In process of collection.

Source: City of Austin, Office of Budget & Organizational Excellence.

**Utility Connections**

Year	Utility Connections		
	Electric (1)	Water (1)	Gas (1)
2016	461,345	227,432	223,158
2017	472,701	231,014	226,749
2018	485,204	235,174	221,314
2019	496,258	239,291	238,753
2020	507,660	243,820	239,063
2021	520,757	247,037	240,263
2022	530,698	250,705	240,048
2023	541,368	252,918	241,114
2024	556,882	255,084	245,956
2025	575,086	256,694	246,164

(1) Based on the City's fiscal year, which runs October 1 through September 30.

Source: Various, including the City of Austin, City of Austin's 2025 ACFR, Texas Gas Services, Atmos Energy, CenterPoint Energy and Si Energy.

**Employment by Industry in the Austin Metropolitan Area (1)**

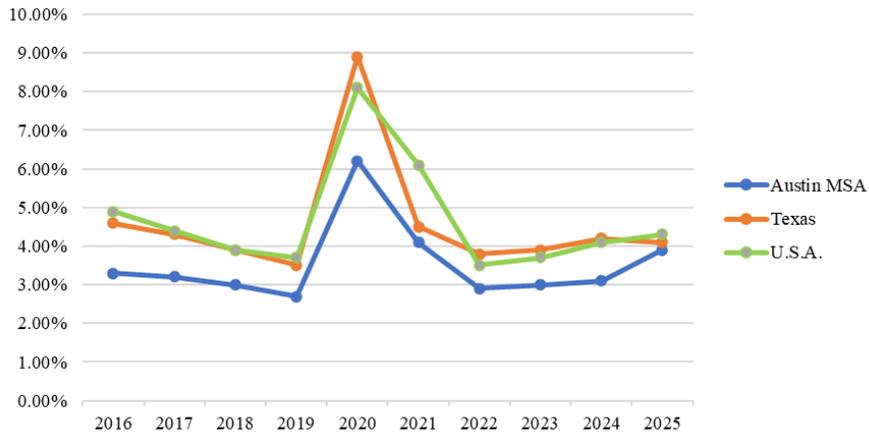
	2021		2022		2023		2024		2025 <sup>(2)</sup>	
		% of total		% of total						
Mining, Logging, and Construction	73,300	6.29%	77,500	5.91%	86,000	6.34%	89,900	6.52%	89,400	6.53%
Manufacturing	64,800	5.56%	72,100	5.50%	73,700	5.43%	73,200	5.31%	72,800	5.32%
Trade, Transportation, and Utilities	190,300	16.32%	215,800	16.46%	218,500	16.11%	216,800	15.72%	211,100	15.43%
Information	45,100	3.87%	53,400	4.07%	52,300	3.85%	49,800	3.61%	48,100	3.52%
Financial Activities	73,000	6.26%	78,500	5.99%	83,600	6.16%	89,900	6.52%	90,700	6.63%
Professional and Business Services	235,200	20.18%	283,100	21.59%	286,700	21.13%	282,100	20.45%	275,000	20.10%
Education and Health Services	133,900	11.49%	146,200	11.15%	159,000	11.72%	165,100	11.97%	166,800	12.19%
Leisure and Hospitality	119,700	10.27%	146,800	11.20%	147,100	10.84%	147,600	10.70%	152,200	11.12%
Other Services	44,800	3.84%	49,600	3.78%	52,600	3.88%	53,700	3.89%	54,100	3.95%
Government	<u>185,600</u>	<u>15.92%</u>	<u>188,100</u>	<u>14.35%</u>	<u>197,200</u>	<u>14.54%</u>	<u>211,200</u>	<u>15.31%</u>	<u>208,200</u>	<u>15.21%</u>
Total nonfarm employment	<u>1,165,700</u>	<u>100%</u>	<u>1,311,100</u>	<u>100%</u>	<u>1,356,700</u>	<u>100%</u>	<u>1,379,300</u>	<u>100%</u>	<u>1,368,400</u>	<u>100%</u>

(1) Austin-Round Rock MSA includes the counties of Travis, Bastrop, Caldwell, Hays and Williamson. Information is updated periodically; data contained in this document is the latest provided. Based on calendar year.

Source: U.S. Bureau of Labor Statistics. Non-seasonally adjusted.

(2) Preliminary numbers as of August 2025.

**Average Annual Unemployment Rate**



<u>Year</u>	<u>Austin MSA</u>	<u>Texas</u>	<u>U.S.A.</u>
2016	3.3%	4.6%	4.9%
2017	3.2%	4.3%	4.4%
2018	3.0%	3.9%	3.9%
2019	2.7%	3.5%	3.7%
2020	6.2%	8.9%	8.1%
2021	4.1%	4.5%	6.1%
2022	2.9%	3.8%	3.5%
2023	3.0%	3.9%	3.7%
2024	3.1%	4.2%	4.1%
2025 <sup>(1)</sup>	3.9%	4.1%	4.3%

Source: U.S. Bureau of Labor Statistics, accessed on October 22, 2025. Unemployment rates are non-seasonally adjusted. Information is updated periodically; the BLS revised certain prior year unemployment data for the Austin MSA on April 18, 2025.

<sup>(1)</sup> Reflects the August 2025 monthly unemployment rate.

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**Residential Sales Data (Austin-Round Rock MSA)**

<u>Year</u>	<u>Number of Sales</u>	<u>Total Volume (\$)</u>	<u>Average Price (\$)</u>
2016	32,493	11,269,638,167	346,832
2017	33,723	12,342,647,379	366,000
2018	34,585	13,139,775,094	379,926
2019	37,004	14,552,357,537	393,264
2020	40,202	17,610,911,774	438,060
2021	41,094	23,315,863,219	567,378
2022	33,686	21,081,470,805	625,822
2023	30,506	17,521,689,917	574,368
2024	30,814	17,485,040,873	567,438
2025 <sup>(1)</sup>	23,142	13,214,005,937	570,997

Source: Real Estate Center at Texas A&M University; accessed October 22 , 2025.  
 (1) As of September 2025.

**City-Wide Austin Office Occupancy Rate**

<u>Year</u>	<u>Occupancy Rate</u>
2016	91.8%
2017	89.5%
2018	89.4%
2019	89.4%
2020	90.0%
2021	80.7%
2022	78.9%
2023	72.9%
2024	71.2%
2025 <sup>(1)</sup>	71.5%

(1) As of 2<sup>nd</sup> Quarter 2025.  
 Source: Cushman & Wakefield.

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**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS**

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**APPENDIX C**  
**COPY OF MASTER ORDINANCE**

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**APPENDIX D**  
**FORM OF BOND COUNSEL'S OPINION**

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