

OFFICIAL STATEMENT
Dated June 22, 2021

Ratings: Fitch: "AA"
Moody's: "Aa2"
S&P: "AA"
(See "RATINGS" herein.)

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P. and Kassahn & Ortiz, P.C., Co-Bond Counsel, interest on the Bonds (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

\$274,375,000
CITY OF SAN ANTONIO, TEXAS
(A political subdivision of the State of Texas located primarily in Bexar County)
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2021A (NO RESERVE FUND)

Dated Date: July 1, 2021

Due: May 15, as shown on inside cover

Interest to Accrue from Date of Delivery (defined below)

GENERAL . . . The City of San Antonio, Texas (the "City"), acting on behalf and for the benefit of the San Antonio Water System ("SAWS"), is issuing its \$274,375,000 Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund) (the "Bonds") pursuant to the Constitution and the general laws of the State of Texas, including particularly Chapters 1207, 1371, and 1502, Texas Government Code, as amended, the City's Home Rule Charter, and an ordinance (the "Ordinance") relating to the Bonds adopted by the City Council of the City (the "City Council") on May 20, 2021. As permitted by Chapters 1207 and 1371, Texas Government Code, as amended, the City Council has, in the Ordinance, delegated to certain authorized officials of the City and SAWS (each, an "Authorized Official") the authority to establish final terms of sale of the Bonds. These final sales terms are evidenced in an "Approval Certificate" executed by an Authorized Official on June 22, 2021.

PURPOSE . . . Proceeds from the sale of the Bonds will be used to provide funds for the purposes of (i) building, improving, extending, enlarging, equipping, and repairing the System (defined below), (ii) refunding certain currently outstanding Junior Lien Obligations (as described herein) for debt service savings, as identified in Schedule I (the "Refunded Obligations"), and (iii) paying the costs of issuance of the Bonds.

PAYMENT TERMS . . . Interest on the Bonds will accrue from their date of initial delivery to the initial purchasers thereof identified below (the "Underwriters"), will be payable on May 15 and November 15 of each year, commencing November 15, 2021, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), acting as a securities depository (the "Securities Depository"), pursuant to the Book-Entry-Only System described herein. The City reserves the right to discontinue the use of the Securities Depository. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – Book-Entry-Only System" herein). The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS – Paying Agent/Registrar" herein).

SECURITY . . . The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and secured by, together with the other currently outstanding Junior Lien Obligations, a junior lien on and pledge of the Net Revenues (as defined herein) of the City's combined water and wastewater system (the "System"), management, operation, and maintenance of which is the responsibility of the SAWS' Board of Trustees (the "Board"), remaining after the City's satisfaction of its debt service payment and reserve fund obligations, among other matters, relating to the Senior Lien Obligations (as described herein). **The Reserve Fund (defined herein) providing additional security for certain of the outstanding Junior Lien Obligations does not additionally secure the Bonds.** The City has not covenanted or obligated itself to pay the Bonds from money raised or to be raised from taxation (see "THE BONDS – Security and Source of Payment; Pledge of Net Revenues" herein).

CUSIP PREFIX: 79642G
MATURITY SCHEDULE & 9 DIGIT CUSIP
SEE SCHEDULE ON INSIDE COVER

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters named below, and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, and Kassahn & Ortiz, P.C., San Antonio, Texas, Co-Bond Counsel (see "APPENDIX E – FORM OF CO-BOND COUNSEL'S OPINION" herein). Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriters by their counsel, Locke Lord LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through the services of DTC on or about July 13, 2021 (the "Date of Delivery").

RBC CAPITAL MARKETS
BLAYLOCK VAN, LLC
SAMCO CAPITAL

CITIGROUP
FROST BANK
STIFEL

MATURITY SCHEDULE

CUSIP No.⁽¹⁾ PREFIX: 79642G

\$274,375,000
City of San Antonio, Texas
Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund)

\$153,095,000 Serial Bonds

Stated Maturity (May 15)	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP No. ⁽¹⁾ Suffix	Stated Maturity (May 15)	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP No. ⁽¹⁾ Suffix
2022	4,610,000	5.000	0.130	MC3	2033	7,985,000	5.000	1.280*	MP4
2023	4,845,000	5.000	0.180	MD1	2034	565,000	5.000	1.330*	MQ2
2024	5,095,000	5.000	0.290	ME9	2035	8,425,000	5.000	1.380*	MR0
2025	5,355,000	5.000	0.450	MF6	2036	8,860,000	5.000	1.420*	MS8
2026	5,630,000	5.000	0.580	MG4	2037	9,310,000	5.000	1.450*	MT6
2027	5,920,000	5.000	0.700	MH2	2038	9,740,000	4.000	1.620*	MU3
2028	6,220,000	5.000	0.810	MJ8	2039	10,140,000	4.000	1.650*	MV1
2029	6,540,000	5.000	0.940	MK5	2040	10,555,000	4.000	1.680*	MW9
2030	6,870,000	5.000	1.060	ML3	2041	10,985,000	4.000	1.710*	MX7
2031	7,225,000	5.000	1.160	MM1	2042	10,625,000	4.000	1.740*	NA6
2032	7,595,000	5.000	1.230*	MN9					

\$121,280,000 Term Bonds

\$48,000,000, 5.000% Term Bond due May 15, 2046, Priced at 129.674 to Yield 1.710%*, CUSIP No. Suffix⁽¹⁾ MY5
\$73,280,000, 4.000% Term Bond due May 15, 2051, Priced at 118.565 to Yield 1.920%*, CUSIP No. Suffix⁽¹⁾ MZ2

(Interest accrues from the Date of Delivery)

REDEMPTION

Optional Redemption. The City has reserved the right, at its option, to redeem Bonds having stated maturities on and after May 15, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on May 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – Redemption – Optional Redemption” herein.

Mandatory Sinking Fund Redemption. The Bonds maturing on May 15, 2046 and May 15, 2051, also known as “Term Bonds”, are also subject to mandatory sinking fund redemption. See “THE BONDS – Redemption – Mandatory Sinking Fund Redemption” herein.

* Yield calculated on the assumption the Bonds denoted and sold at premium will be redeemed on May 15, 2031, the first optional call date for such Bonds, at a price of par plus accrued interest to the date of redemption.

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Board, the Co-Financial Advisors, or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION

This Official Statement, which includes the cover page, the Schedule, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized by the City, the Board, the Co-Financial Advisors, or the Underwriters to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation, promise, or guarantee of the Co-Financial Advisors. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City (including the System) or other matters described herein.

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

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.

NONE OF THE CITY, THE BOARD, THE UNDERWRITERS, OR THE CO-FINANCIAL ADVISORS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

THE AGREEMENTS OF THE CITY, THE BOARD, AND OTHERS RELATED TO THE BONDS ARE CONTAINED SOLELY IN THE CONTRACTS DESCRIBED HEREIN. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER STATEMENT MADE IN CONNECTION WITH THE OFFER OR SALE OF THE BONDS IS TO BE CONSTRUED AS CONSTITUTING AN AGREEMENT WITH THE PURCHASERS OF THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS – CITY OF SAN ANTONIO

City Council	Length of Service	Term Expires	Occupation
Ron Nirenberg, Mayor	8 Years, 1 Month	May 31, 2023	Broadcast General Manager
Mario Bravo, District 1 ⁽¹⁾	1 Month	May 31, 2023	Project Manager
Jalen McKee-Rodriguez, District 2 ⁽¹⁾	1 Month	May 31, 2023	Teacher
Phyllis Viagran, District 3 ⁽¹⁾	1 Month	May 31, 2023	Training Specialist
Adriana Rocha Garcia, District 4	2 Years, 1 Month	May 31, 2023	Assistant Professor
Teri Castillo, District 5 ⁽¹⁾	1 Month	May 31, 2023	Housing Organizer
Melissa Cabello Havrda, District 6	2 Years, 1 Month	May 31, 2023	Attorney at Law
Ana Sandoval, District 7	4 Years, 1 Month	May 31, 2023	Entrepreneur
Manny Peláez, District 8	4 Years, 1 Month	May 31, 2023	Attorney at Law
John Courage, District 9 ⁽¹⁾	4 Years, 1 Month	May 31, 2023	Teacher
Clayton Perry, District 10	4 Years, 1 Month	May 31, 2023	Retired

⁽¹⁾ Elected pursuant to a runoff election held June 5, 2021, the results of which were canvassed on June 15, 2021.

APPOINTED OFFICIALS – SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES

Board	Length of Service	Term Expires	Occupation
Jelynn LeBlanc Burley Chairwoman	10 Months	May 31, 2022	President and CEO The Center for Health Care Services
David McGee Vice Chair	6 Years, 9 Months	May 31, 2021 ⁽¹⁾	President/CEO of San Antonio Region Amegy Bank of Texas
Eduardo Parra Secretary	3 Years, 3 Months	May 31, 2021 ⁽¹⁾	CEO – Principal Engineer Parra & Co., LLC.
Amy Hardberger Assistant Secretary	3 Years, 3 Months	May 31, 2021 ⁽¹⁾	Associate Dean/Law Professor St. Mary's University
Ed Belmares Trustee	9 Months	May 31, 2024	Owner IConnect, LLC
Vacant ⁽²⁾ Trustee	-	-	-
Ron Nirenberg, Mayor and Ex-Officio Member	3 Years, 11 Months	May 31, 2023	Broadcast General Manager

⁽¹⁾ Position to remain occupied by current member until either reappointed or a new member is appointed by City Council.

⁽²⁾ Applications for this vacant position will open in July 2021.

SELECTED ADMINISTRATIVE STAFF – SAN ANTONIO WATER SYSTEM

Name	Position	Length of Service with System	Total Government Service
Robert R. Puente	President/Chief Executive Officer	13 Years, 1 Month	30 Years, 5 Months
Steven M. Clouse	Senior Vice President/Chief Operating Officer	30 Years, 10 Months	32 Years, 7 Months
Douglas P. Evanson	Senior Vice President/Chief Financial Officer	16 Years, 1 Month	16 Years, 1 Month
Nancy Belinsky	Vice President and General Counsel	18 Years, 2 Months	18 Years, 2 Months
Sharon De La Garza	Vice President - Human Resources	9 Years, 2 Months	25 Years, 2 Months
Donovan Burton	Vice President – Water Resources & Governmental Relations	14 Years, 6 Months	28 Years, 11 Months
Gavino Ramos	Vice President – Communications & External Affairs	6 Years, 2 Months	6 Years, 2 Months

CONSULTANTS AND ADVISORS

Auditors..... Baker Tilly Virchow Krause, LLP
San Antonio, Texas

Co-Bond Counsel McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas
and
Kassahn & Ortiz, P.C.
San Antonio, Texas

Co-Financial Advisors..... PFM Financial Advisors LLC
Arlington, Virginia
and
Estrada Hinojosa & Company, Inc.
San Antonio, Texas

For additional information regarding the San Antonio Water System, please contact:

Mr. Douglas P. Evanson
Senior Vice President/Chief Financial Officer
San Antonio Water System
2800 U.S. Highway 281 North
P.O. Box 2449
San Antonio, Texas 78298-2449
Telephone: (210) 233-3803
doug.evanson@saws.org

or

Mr. Daniel Hartman
PFM Financial Advisors LLC
4350 North Fairfax Drive, Suite 580
Arlington, Virginia 22203
Telephone: (703) 741-0175
hartmand@pfm.com

Ms. Phyllis Garcia
Treasurer
San Antonio Water System
2800 U.S. Highway 281 North
P.O. Box 2449
San Antonio, Texas 78298-2449
Telephone: (210) 233-3813
phyllis.garcia@saws.org

Mr. Donald J. Gonzales
Estrada Hinojosa & Company, Inc.
14414 Blanco Road, Suite 320
San Antonio, Texas 78216
Telephone: (210) 223-4888
don@ehmuni.com

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SELECTED ADMINISTRATIVE STAFF – CITY OF SAN ANTONIO

Name	Position	Tenure with City of San Antonio	Tenure in Current Position
Erik J. Walsh ⁽¹⁾	City Manager	27 Years, 2 Months	2 Years, 5 Months
María Villagómez	Deputy City Manager	23 Years, 10 Months	2 Years, 5 Months
Lori Houston	Assistant City Manager	19 Years, 2 Months	6 Years, 1 Month
Dr. Colleen Bridger	Assistant City Manager	4 Years, 5 Months	2 Years, 5 Months
Roderick Sanchez	Assistant City Manager	28 Years, 7 Months	4 Years, 6 Months
David McCary	Assistant City Manager	13 Years, 11 Months	1 Year, 5 Months
Jeff Coyle ⁽²⁾	Assistant City Manager	8 Years, 6 Months	5 Months
Alejandra Lopez ⁽³⁾	Assistant City Manager	4 Years, 1 Month	5 Months
Andrew Segovia	City Attorney	4 Years, 11 Months	4 Years, 11 Months
Tina J. Flores	City Clerk	19 Years, 9 Months	1 Year, 7 Months
Ben Gorzell, Jr.	Chief Financial Officer	30 Years, 9 Months	11 Years
Troy Elliott	Deputy Chief Financial Officer	25 Years	5 Years
Scott Huizenga	Director of Management and Budget	1 Year, 2 Months	1 Year, 2 Months

⁽¹⁾ Mr. Walsh was appointed City Manager on January 31, 2019, effective March 1, 2019. Prior to his appointment, Mr. Walsh served as Deputy City Manager from 2011-2019 and has been employed by the City for over 27 years.

⁽²⁾ Mr. Coyle was appointed Assistant City Manager on March 22, 2021. Prior to his appointment, he served as the Director of Government and Public Affairs.

⁽³⁾ Mrs. Lopez was appointed Assistant City Manager on March 22, 2021. Prior to her appointment, she served as the Director of the Economic Development Department.

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OFFICIAL STATEMENT

RELATING TO

\$274,375,000

CITY OF SAN ANTONIO, TEXAS

(A political subdivision of the State of Texas located primarily in Bexar County)

WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2021A (NO RESERVE FUND)

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$274,375,000 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund) (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined), except as otherwise indicated herein (see “SELECTED PROVISIONS OF THE ORDINANCE” in APPENDIX D).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the San Antonio Water System (“SAWS”), its water and wastewater system (the “System”) and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Co-Financial Advisors, PFM Financial Advisors LLC, Arlington, Virginia, and Estrada Hinojosa & Company, Inc., San Antonio, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement (defined herein) will be filed with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the undertaking of the City of San Antonio, Texas (the “City”) to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State of Texas (the “State” or “Texas”) duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1837, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and 10 Councilmembers. The terms of the Mayor and the Councilmembers are two years and subject to four term limitations imposed by the City’s Home Rule Charter. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, gas, water and sanitary sewer utilities, health and social services, culture/recreation and parks, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 1,327,407 and for Bexar County was 1,714,773. For the 2010 San Antonio population, it was determined that the U.S. Census Bureau had erroneously assigned 35 census blocks to the City that are actually outside of the City limits. The revised 2010 San Antonio population is 1,326,539. The U.S. Census Bureau ranks the City as the second largest city in Texas and the seventh largest city in the United States. The City’s Information Technology Services Department estimated the City’s population to be 1,552,150 in 2021. The City covers approximately 518 square miles within Bexar County. For additional information regarding the City, see “APPENDIX A - GENERAL INFORMATION REGARDING THE CITY”.

CITY’S COMBINED WATER AND WASTEWATER SYSTEM

The System consists of the City’s combined water and wastewater system. Management, operation, and maintenance of the System is vested in the SAWS’ Board of Trustees (the “Board” or the “Board of Trustees”) under the various City ordinances authorizing the issuance of SAWS’ debt obligations, including the Ordinance.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and it continues to affect many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation, and reopening. These include, for example, the issuance on March 2, 2021 of Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. Executive Order GA-34 also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from

requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance, subject to certain exceptions. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <http://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City and Bexar County. These negative impacts may reduce or otherwise negatively affect Net Revenues of the System which are pledged on a junior lien basis as security for the Bonds. Neither the City nor SAWS, however, can predict the effect of the continued spread of COVID-19 on the finances or operations and maintenance of the City or the System, respectively.

SAWS continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic on the System. As part of its business continuity protocols, SAWS has implemented measures to protect the health of its employees, contractors, and customers and to ensure the continuity of its business operations and the delivery of water and sewer services to the San Antonio community. Most of the System's employees who do not work directly in the continuous provision of water and wastewater services to SAWS customers are working remotely from home. Additionally, SAWS is requiring temperature screening to gain access to SAWS facilities and is encouraging the wearing of face coverings for anyone at a job site or on SAWS' property when social distancing is not possible.

FINANCIAL IMPACT OF COVID-19

In March of 2020, SAWS implemented a number of temporary measures intended to assist SAWS' customers experiencing financial hardship as a result of COVID-19 and the resultant global economic slowdown. These measures included (i) deferring disconnections of water service for non-payment, (ii) waiving the imposition of late fees, and (iii) promoting payment plans with extended terms beyond those normally offered. Each of these measures are still in place as of this time, although SAWS plans to resume disconnection for delinquent accounts in October of 2021. Since implementation of these steps, SAWS has experienced a significant increase in past due accounts receivable. As of March 31, 2021, receivable balances which are at least 30 days past due total \$43.8 million, which is an increase of \$27.6 million from the level as of March 31, 2020. In order to account for this increase, SAWS has increased the provision for uncollectable accounts from historical levels of approximately 0.7% of operating revenues to more than 3% of operating revenues during the last twelve months. As a result, the allowance for doubtful accounts has increased from \$8.5 million as of March 31, 2020 to \$32.6 million as of March 31, 2021.

While the increase in the provision for uncollectable accounts resulted in operating revenues for both the year ended December 31, 2020 and the quarter ended March 31, 2021, falling short of budgeted levels by \$12.2 million and \$2.2 million, respectively, favorable operating expense variances more than offset both of these revenue shortfalls. For additional information concerning SAWS' fiscal year 2020 operating results, please see "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION" herein. Also, see "APPENDIX C – UNAUDITED FINANCIAL STATEMENTS (THROUGH MARCH 31, 2021)" for current financial information compared to the prior year.

The financial and operating data contained herein are the latest available. These results may or may not be indicative of SAWS' future financial and operational performance. SAWS cannot predict the duration or ultimate extent of the COVID-19 outbreak. The continuation of the COVID-19 outbreak and the measures instituted to control it could have an adverse effect on SAWS' operations and financial condition, and the effect could be material.

TEXAS 2021 WINTER WEATHER EVENT

GENERAL

From February 14, 2021 through February 19, 2021, the continental United States experienced Winter Storm Uri (the "2021 Event") resultant from the southern migration of a polar vortex that meteorologists characterized as the most significant in terms of scope and duration since monitoring of these weather phenomenon began in the 1950s. The City experienced three consecutive days of record low temperatures and record low daily high temperatures and windchills of -6 degrees Fahrenheit. Almost immediately upon the arrival of the 2021 Event in the region on February 14, 2021, SAWS began experiencing operational challenges due to the sustained below freezing temperatures and accompanying snow and ice. On February 15, 2021, four of SAWS' contracted water suppliers (Vista Ridge, Canyon Regional Water Supply, Guadalupe Blanco River Authority and Schertz Seguin Local Government Corporation) suspended the delivery of water into the City. To meet demand, SAWS increased production from its wells in the Edwards Aquifer. Simultaneously, power outages resulting from the Electric Reliability Council of Texas demand reduction requirements began to impact operations. By February 16, 2021, due to the unprecedented power demand reductions required, many of SAWS' pumping stations were included in the rotating brownout cycles and SAWS' ability to maintain water pressure was significantly impacted. The elimination of power for long periods of time at multiple pumping stations resulted in a complete loss of water service for areas served by those stations. SAWS issued a City-wide boil water notice on February 17, 2021 due to low pressures within the distribution system. The freezing conditions continued until February 18, 2021, when SAWS began restoring pressure. The rolling brownouts were discontinued on February 18, 2021, and SAWS began to refill and re-pressurize the distribution system. This allowed SAWS to restore service with the first boil water notices lifted on February 20, 2021 and the final areas lifted on February 23, 2021.

Because of the extremely low temperatures for this area, many homes and businesses across the City and surrounding area experienced broken and frozen pipes. On February 18, 2021, SAWS established a new one-day peak of 441 million gallons of water pumped to bring up pressure into the distribution system. Historically, SAWS pumps approximately 165 million gallons a day during February. The extremely high winter pumping was believed to result from additional demand created by a combination of faucets being opened to try to avoid plumbing line breaks and breaks in private plumbing infrastructure. SAWS assembled additional crews to identify and turn off valves at private residences and businesses where leaks were occurring. On February 19, 2021, SAWS established seven staffed bulk water distribution sites across the City. Additionally, SAWS worked directly with the City to procure and distribute significant quantities of bottled water. Based on all services being restored and a reduced need for bulk distribution of potable water, both distribution programs ended on March 5, 2021.

The costs of SAWS' various water sources are largely fixed (except for the electricity charges associated with pumping and distributing the water). As a result, the historic levels of demand associated with the 2021 Event and the distribution of water at the bulk water delivery points did not result in any significant expense increases for SAWS. As of the date of this Official Statement, SAWS has received bills from each of its electric providers for the period covered by the 2021 Event and has experienced no material expense increases. SAWS currently anticipates reimbursing the City for any non-reimbursed expenditures associated with the procurement of the bottled water distributed within the community. The amount of such non-reimbursed expenditures is currently estimated to total approximately \$500,000.

The bulk of SAWS' infrastructure resides underground and was adequately protected from the freezing conditions. However, certain portions of the above-ground infrastructure, such as pump stations, air release valves and pipelines were damaged by the expansion of the freezing water. Current estimates to repair this damage total approximately \$5 million with most of the repairs having already been completed. As of this point in time, SAWS anticipates submitting these costs to the Texas Department of Emergency Management for reimbursement once the Federal Emergency Management Agency allows for the submission of Category F (Utilities) expenditures.

On two separate dates during the 2021 Event, SAWS' daily water production levels were the highest in its history with total daily production being more than double normal February levels and even exceeding historical summer peak levels. Knowing that a substantial portion of this water production was the result of leaks in private infrastructure, running faucets to keep pipes from breaking and line flushing once power had been restored, SAWS announced a bill relief program on February 18, 2021, in the form of bill adjustments for non-beneficial use designed to assist all customers. Under this program, SAWS implemented a temporary billing adjustment that compares a customer's water usage in the 2021 Event billing period to their prior month's usage and utilizes the lower of the two usage amounts to calculate the 2021 Event monthly billing. This temporary billing adjustment program was in effect for slightly more than one month and resulted in SAWS providing approximately \$12 million in billing adjustments. Despite the provision of these billing adjustments, SAWS' first quarter operating revenues were approximately \$2.2 million unfavorable to budget.

SAWS recently contracted with Black & Veatch, a nationally recognized engineering firm to conduct an external review of SAWS' preparedness in advance of the 2021 Event, SAWS' response to changing conditions during the 2021 Event, and to provide recommendations for future improvements to the System to be more resilient and sustainable for future extreme weather events. Additionally, the Mayor of the City formulated a Select Committee (the "Select Committee") on 2021 Winter Storm Preparedness and Response consisting of four City Council members and three community stakeholders. The objective of the Select Committee is to determine what caused the electrical and water outages within the City and its community and what can be done to be better prepared in the future.

Black & Veatch completed and submitted their report to SAWS in May of 2021. A summary of this report was presented to the Select Committee and the Board. Among the key findings of the report were that the primary cause of water service outages was the loss of electrical power and that the declaration and duration of a System-wide boil water notice was appropriate given System unpredictability. They also summarized the results of a desktop evaluation of SAWS' critical facilities in which they estimated that it would cost approximately \$200 million to design and construct the required 60 MW to 75 MW of generation capacity that would be required to maintain minimum System operating pressures during a period of peak demand and a utility power failure event lasting for two weeks. The recommendations outlined in this report are currently being evaluated by SAWS.

The Select Committee's report was presented to the City Council on June 24, 2021 and included 16 recommendations for improvements as it relates to SAWS. SAWS' management will review the contents of this report and in combination with its review of the Black & Veatch report, will make recommendations of any necessary improvements to the Board in late 2021.

LEGISLATIVE RESPONSE

On June 8, 2021, the Governor signed Senate Bill 3 ("SB 3") to address issues that arose during the 2021 Event. The new law requires weather emergency preparedness and the identification of critical facilities in the natural gas supply chain and electric utilities.

The new law also creates Section 13.1394 of the Texas Water Code that requires water utilities to ensure the emergency operation of its water system during a power outage that lasts longer than 24 hours at a minimum water 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. This section also requires that a water utility adopt and submit an emergency preparedness plan 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 service as required by this section. The options provided include, but are not limited to: backup or on-site power generation; designation of the water system as a critical load facility or redundant, isolated or dedicated electrical feeds; the ability to provide water through artesian pressure; redundant interconnectivity between pressure zones; and any other alternative determined by the TCEQ to be acceptable.

Water utilities are required to submit their emergency preparedness plan to the TCEQ by March 1, 2022. Implementation of emergency plans must begin by the later of July 1, 2022, or upon final approval by the TCEQ. A utility may submit a written request for an extension not to exceed 90 days. SAWS has already begun assessing its response to ensure timely compliance with the new law.

SB 3 also created Section 13.151 of the Texas Water Code ("Section 13.151") that addresses billing for services provided during an extreme weather emergency. Section 13.151 defines an "extreme weather emergency" 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. In these circumstances a retail public utility that operates under a certificate of public convenience and necessity 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 is required to work with customers that request to establish a payment schedule for unpaid bills that are due during the extreme weather emergency. A violation of Section 13.151 is subject to a civil penalty of not less than \$100 nor more than \$50,000 for each violation.

PLAN OF FINANCING

PURPOSE

Proceeds from the sale of the Bonds will be used to provide funds for the purposes of (i) building, improving, extending, enlarging, equipping, and repairing the System, (ii) refunding certain currently outstanding Junior Lien Obligations for debt service savings, as identified in Schedule I (the “Refunded Obligations”), and (iii) paying the costs of issuance of the Bonds.

REFUNDED OBLIGATIONS

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from funds to be deposited with UMB Bank, N.A., Dallas, Texas (the “Escrow Agent”) pursuant to an Escrow Deposit Letter, dated as of May 20, 2021 (the “Escrow Agreement”), between the City and the Escrow Agent. The refunding of the Refunded Obligations will result in the City’s realization of debt service savings.

The Ordinance provides that from a portion of the proceeds of the sale of the Bonds received from the Underwriters (defined below), along with a City contribution, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations to their date of redemption. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. Such escrowed funds will not be available to pay debt service on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owner of the Refunded Obligations that such Refunded Obligations will be redeemed prior to stated maturity, on which date money will be made available to redeem the Refunded Obligations from funds held under the Escrow Agreement.

PFM Financial Advisors LLC, in its capacity as Co-Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment, to pay the principal of and interest on the Refunded Obligations when due (the “Sufficiency Certificate”). Amounts on deposit in the Escrow Fund shall, until such as needed for their intended purpose, be (i) held unvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than “AAA”. Cash held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

By the deposit of a portion of the Bond proceeds and cash from the City with the Escrow Agent pursuant to the Escrow Agreement, the City will have effectuated the defeasance of the Refunded Obligations pursuant to the terms of the City ordinance authorizing their issuance. It is the opinion of Co-Bond Counsel (defined herein) that, as a result of such defeasance, and in reliance upon the Sufficiency Certificate, the Refunded Obligations will no longer be payable from the applicable pledge of Net Revenues (defined herein) of the System made under the City ordinance authorizing their issuance, but will be payable solely from the amounts on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose.

The City will have no further responsibility with amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment with due.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated July 1, 2021 and mature on May 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from their date of initial delivery to the initial purchasers identified on the front cover hereof (the “Underwriters”), will be computed on the basis of a 360-day year composed of twelve 30-day months, and will be payable on May 15 and November 15, commencing November 15, 2021. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System” herein).

AUTHORITY FOR ISSUANCE

The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), Chapter 1371, Texas Government Code, as amended (“Chapter 1371” and, together with Chapter 1207, the “Act”), and Chapter 1502, Texas Government Code, as amended, the City’s Home Rule Charter, and an ordinance (the “Ordinance”) authorizing the issuance of the Bonds adopted by the City Council of the City (the “City Council”) on May 20, 2021. As permitted by the Act, the City Council has, in the Ordinance, delegated to certain authorized officials of the City and SAWS (each an “Authorized Official”) the authority to establish final terms of sale of the Bonds. These final sales terms are evidenced in an “Approval Certificate” executed by an Authorized Official on June 22, 2021.

The Bonds are issued as Junior Lien Obligations—No Reserve Fund and, as a result thereof, the Bonds are not additionally benefited by the creation and establishment of a Reserve Fund (see “SECURITY FOR THE BONDS – Parity Lien Ordinance Amendment” herein).

SECURITY AND SOURCE OF PAYMENT; PLEDGE OF NET REVENUES

The Bonds are special obligations of the City, payable both as to principal and interest, solely from and secured by, together with the other Junior Lien Obligations (as described herein), a junior lien on and pledge of the Net Revenues of the System remaining after satisfaction of all City payment and reserve fund obligations, among other matters, relating to the Senior Lien Obligations. **The Bonds are not additionally benefited by the creation and establishment of a Reserve Fund. The City has not covenanted or obligated itself to pay the Bonds from money raised or to be raised from taxation.**

All Net Revenues of the System remaining after satisfaction of financial obligations of the City resulting from the prior pledge thereof and lien thereon securing the payment of the Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City (as defined in the Ordinance) have been irrevocably pledged to the payment and security of the Junior Lien Obligations, which includes the Bonds, the Previously Issued Junior Lien Obligations, the Junior Lien Obligations–No Reserve Fund, and any Additional Junior Lien Obligations hereafter issued by the City (as each such term is defined in the Ordinance), including the establishment and maintenance of special funds or accounts created for the payment and security thereof. This pledge constitutes a junior lien on the Net Revenues of the System. In addition to the foregoing, the City has, in the Ordinance, reserved the right to pledge, and has in fact pledged, on a subordinate and inferior lien level of priority to the pledge thereof and lien thereon securing the payment of the Junior Lien Obligations, the Net Revenues of the System as security for the Subordinate Lien Obligations (as defined in the Ordinance), as well as the right to pledge, on a further subordinated and inferior lien level of priority to the pledge thereof and lien thereon securing the payment of the Subordinate Lien Obligations, the Net Revenues of the System as security for the Inferior Lien Obligations (as defined in the Ordinance). To date, the City has not issued any Inferior Lien Obligations. For a complete description of the security for the Bonds, see “SECURITY FOR THE BONDS” herein.

PERFECTION OF SECURITY FOR THE BONDS

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the Net Revenues, and such pledge is therefore, valid, effective, and perfected. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City has covenanted in the Ordinance to take such measures as it determines is reasonable and necessary to enable a filing of a security interest in said pledge to occur.

OUTSTANDING DEBT

As of the date of delivery of the Bonds, the City will have outstanding the Senior Lien Obligations secured by and payable from Net Revenues as follows:

Dated Date	Outstanding Debt (\$) ⁽¹⁾⁽²⁾	Issue Description
November 1, 2009	72,085,000	Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy - Build America Bonds)
November 15, 2010	29,750,000	Water System Revenue Bonds, Taxable Series 2010B (Direct Subsidy - Build America Bonds)
February 1, 2012	61,940,000	Water System Revenue Refunding Bonds, Series 2012
September 1, 2012	116,790,000	Water System Revenue and Refunding Bonds, Series 2012A
Total	280,565,000	

⁽¹⁾ Unaudited as of the date of this Official Statement.

⁽²⁾ Excludes the Water System Revenue Refunding Bonds, Series 2011, previously outstanding in the principal amount of \$21,055,000, which were redeemed with cash on May 15, 2021.

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In addition to the outstanding Senior Lien Obligations presented above, the City will, after the refunding of the Refunded Obligations that were issued and are outstanding as Junior Lien Obligations and the issuance of the Bonds, have outstanding the Junior Lien Obligations secured by and payable from Net Revenues as follows:

Dated Date	Outstanding Debt (\$) ⁽¹⁾⁽²⁾	Issue Description
April 1, 2012	1,795,000	Water System Junior Lien Revenue Refunding Bonds, Series 2012 (No Reserve Fund)
August 1, 2012	14,355,000	Water System Junior Lien Revenue Bonds, Series 2012
April 1, 2013	30,840,000	Water System Junior Lien Revenue Bonds, Series 2013A
May 1, 2013	51,270,000	Water System Junior Lien Revenue Refunding Bonds, Series 2013B (No Reserve Fund)
October 1, 2013	16,640,000	Water System Junior Lien Revenue Bonds, Series 2013C
October 1, 2013	47,635,000	Water System Junior Lien Revenue Bonds, Series 2013D
October 1, 2013	49,175,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (No Reserve Fund)
October 1, 2013	98,795,000	Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund)
April 1, 2014	65,185,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2014A (No Reserve Fund)
April 1, 2014	99,590,000	Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund)
May 15, 2014	30,755,000	Water System Junior Lien Revenue Bonds, Series 2014C
May 15, 2014	15,025,000	Water System Junior Lien Revenue Bonds, Series 2014D
January 1, 2015	62,820,000	Water System Junior Lien Revenue Bonds, Series 2015A
February 1, 2015	280,350,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund)
January 1, 2016	143,210,000	Water System Junior Lien Revenue Refunding Bonds, Series 2016A (No Reserve Fund)
January 1, 2016	12,770,000	Water System Junior Lien Revenue Refunding Bonds, Taxable Series 2016B (No Reserve Fund)
October 1, 2016	294,515,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund)
December 1, 2016	10,795,000	Water System Junior Lien Revenue Bonds, Series 2016D
December 1, 2016	12,415,000	Water System Junior Lien Revenue Bonds, Series 2016E
January 1, 2017	70,365,000	Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund)
May 1, 2018	201,825,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund)
April 1, 2018	9,620,000	Water System Junior Lien Revenue Bonds, Series 2018B
January 1, 2019	166,480,000	Water System Variable Rate Junior Lien Revenue Bonds, Series 2019A (No Reserve Fund)
September 1, 2019	28,780,000	Water System Junior Lien Revenue Bonds, Series 2019B
September 1, 2019	79,170,000	Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund)
January 1, 2020	269,855,000	Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund)
February 1, 2020	24,465,000	Water System Junior Lien Revenue Bonds, Series 2020B
July 1, 2020	153,390,000	Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund)
November 1, 2020	11,410,000	Water System Junior Lien Revenue Bonds, Series 2020D
July 1, 2021	274,375,000	The Bonds
Total	<u>2,627,670,000</u>	

⁽¹⁾ Unaudited as of the date of this Official Statement.

⁽²⁾ Excludes the Refunded Obligations and the Water System Junior Lien Revenue Bonds, Series 2011, previously outstanding in the principal amount of \$12,835,000, which were redeemed with cash on May 15, 2021. See "SCHEDULE OF REFUNDED OBLIGATIONS" attached hereto as Schedule I.

In addition to the outstanding Senior Lien Obligations and Junior Lien Obligations presented above, the City has outstanding, as of the date of this Official Statement, the following Subordinate Lien Obligations secured by and payable from Net Revenues:

	Authorized Amount (\$)	Amount Outstanding (\$)*	Issue Description
	398,000,000 ⁽¹⁾⁽³⁾	132,020,000	Water System Commercial Paper Notes, Subseries A-1
	2,000,000 ⁽²⁾⁽³⁾	2,000,000 ⁽²⁾	Water System Commercial Paper Notes, Subseries A-2
	-	-	Water System Commercial Paper Notes, Series B
	100,000,000 ⁽⁴⁾	100,000,000	Water System Commercial Paper Notes, Series C
Total	<u>500,000,000⁽⁵⁾</u>	<u>234,020,000</u>	

* Data is unaudited.

⁽¹⁾ Represents the liquidity support available after the reduction of the amount required to be outstanding under the liquidity facility provided for in the hereinafter-defined Subseries A-2 Notes. See "COMMERCIAL PAPER NOTE PROGRAM" herein.

⁽²⁾ Amount required to remain outstanding during the term of the liquidity facility provided therefor. See "COMMERCIAL PAPER NOTE PROGRAM" herein.

⁽³⁾ JPMorgan (defined herein) supports the Series A Notes in the total amount of \$400,000,000. See "COMMERCIAL PAPER NOTE PROGRAM" herein.

⁽⁴⁾ Represents the liquidity support available from Wells Fargo (defined herein). See "COMMERCIAL PAPER NOTE PROGRAM" herein.

⁽⁵⁾ Represents the combined authorization of the Series A Notes (including Subseries A-1 and Subseries A-2), the Series B Notes, and the Series C Notes. See "COMMERCIAL PAPER NOTE PROGRAM" herein.

None of the above obligations, including the Bonds, are a charge upon any other income or revenues of the City, other than Net Revenues, and will never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues with respect to the Bonds, and no judgment against the City may be enforced by levy and execution against any property owned by the City.

See the “Combined System Revenue Debt Service Requirements” table under “DEBT AND OTHER FINANCIAL INFORMATION” for a description of the debt service requirements on all outstanding indebtedness issued by the City for the benefit of the System.

FLOW OF FUNDS

The flow of funds of the System requires that Gross Revenues of the System be applied in sequence to: (i) current Maintenance and Operating Expenses, including maintenance of an operating reserve equal to two months of expenses for the current Fiscal Year; (ii) payment of amounts required on any Senior Lien Obligations issued by the City; (iii) payment of amounts required on any Junior Lien Obligations issued by the City; (iv) payment of amounts required on any Subordinate Lien Obligations issued by the City; (v) payment of amounts required on any Inferior Lien Obligations issued by the City; and (vi) transfers to the City’s General Fund and to the Renewal and Replacement Fund. The Commercial Paper Note Program (under which the City may issue Series A Notes (in subseries form), Series B Notes, and Series C Notes (each defined herein) in a combined amount not to exceed \$500,000,000; see “COMMERCIAL PAPER NOTE PROGRAM” herein) represents the City’s only currently outstanding Subordinate Lien Obligations, but it is authorized to issue Additional Subordinate Lien Obligations. The City has not issued any Inferior Lien Obligations, but the City is authorized to do so under the Ordinance. (See “THE BONDS – Security and Source of Payment; Pledge of Net Revenues” herein; see also “SECURITY FOR THE BONDS – Flow of Funds” and “APPENDIX D - SELECTED PROVISIONS OF THE ORDINANCE” herein).

RATES

The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to (i) pay all Maintenance and Operating Expenses of the System, (ii) produce “Pledged Revenues” (substantively defined in the Ordinance to mean the senior and superior lien on and pledge of Net Revenues of the System securing the repayment of the Senior Lien Obligations and any Additional Senior Lien Obligations, plus any additional revenues, income, receipts, or other resources of the City pledged as security for the Senior Lien Obligations) at least equal to 1.25 times the interest on and the principal of the Senior Lien Obligations and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Senior Lien Obligations, and (iii) produce Net Revenues, together with any other lawfully available funds, to pay the principal of and interest on the currently outstanding Junior Lien Obligations, which includes the Bonds, as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Additional Junior Lien Obligations hereafter issued by the City. (See “SECURITY FOR THE BONDS – Rate Covenant” for a description of additional rate covenants of the City.)

ADDITIONAL OBLIGATIONS

In the Ordinance, the City has reserved the right to issue (i) Additional Senior Lien Obligations, which are primarily secured by and payable from a lien on and pledge of the Net Revenues of the System (included in the definition of Pledged Revenues) that is senior and superior to the pledge thereof and lien thereon securing the Bonds, (ii) Additional Junior Lien Obligations, which are secured by and payable from a lien on and pledge of the Net Revenues of the System on parity with the pledge thereof and lien thereon securing the Bonds, (iii) Additional Subordinate Lien Obligations, which are primarily secured by and payable from a lien on and pledge of the Net Revenues of the System that is subordinate and inferior to the pledge thereof and lien thereon securing the Bonds, and (iv) Inferior Lien Obligations, which are primarily secured by and payable from a lien on and pledge of the Net Revenues of the System that is further subordinated and inferior to the pledge thereof and lien thereon securing the Subordinate Lien Obligations and any Additional Subordinate Lien Obligations.

The issuance of Additional Senior Lien Obligations is subject to the requirements of the ordinances of the City authorizing the respective issuance of Senior Lien Obligations and include, as the primary threshold matter, the ability to demonstrate that the Pledged Revenues, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18-month period ending not more than ninety (90) days preceding the month the ordinance authorizing the issuance of the Additional Senior Lien Obligations is adopted, are equal to at least 125% of the maximum annual debt service requirements for all Senior Lien Obligations to be outstanding after giving effect to the issuance of the Additional Senior Lien Obligations then proposed.

The City’s issuance of Additional Junior Lien Obligations payable from a parity lien pledge of the Net Revenues, which (together with the Previously Issued Junior Lien Obligations and the Junior Lien Obligations–No Reserve Fund (which includes the Bonds)) will be equally and ratably secured by a junior lien on and pledge of the Net Revenues of the System, is subject to complying with certain conditions in the Ordinance. For the issuance of Additional Junior Lien Obligations the repayment of which is not insured by a municipal bond insurance policy and that are not sold to the Texas Water Development Board (the “TWDB”), and in addition to certain other covenants, the Net Revenues, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18-month period preceding the month the ordinance authorizing the issuance of the Additional Junior Lien Obligations is adopted, must be equal to at least the average annual requirement for the payment of principal of and interest on all outstanding Junior Lien Obligations after giving effect to the Additional Junior Lien Obligations then proposed. For the issuance of Additional Junior Lien Obligations the repayment of which is not insured by a municipal bond insurance policy and that are sold to the TWDB, the City must show that Net Revenues for the same reporting period identified above are at least equal to one and one-fourth times the average annual requirement for the payment of principal of and interest on all outstanding Junior Lien Obligations after giving effect to the Additional Junior Lien Obligations then proposed. The issuance of Additional Junior Lien Obligations that are Reserve Fund–Secured Junior Lien Obligations (defined herein) also requires satisfaction of certain conditions precedent, including additionally funding, as necessary, the Reserve Fund. (See “SECURITY FOR THE BONDS – Reserve Fund” herein). The Ordinance also specifies the conditions upon which Additional Subordinate Lien Obligations

and Inferior Lien Obligations may be issued. See “APPENDIX D - SELECTED PROVISIONS OF THE ORDINANCE” for terms and conditions to be satisfied for the issuance of Additional Junior Lien Obligations herein.

REDEMPTION

Optional Redemption. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after May 15, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on May 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on May 15, 2046 and May 15, 2051 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited into the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, as the principal amount thereof plus accrued interest to the date of mandatory sinking fund redemption in the principal amounts on May 15 in each of the years as set forth below.

Term Bonds Stated to Mature on <u>May 15, 2046</u>		Term Bonds Stated to Mature on <u>May 15, 2051</u>	
<u>Year</u>	<u>Principal Amounts (\$)</u>	<u>Year</u>	<u>Principal Amounts (\$)</u>
2043	11,115,000	2047	13,505,000
2044	11,685,000	2048	14,060,000
2045	12,285,000	2049	14,635,000
2046	12,915,000*	2050	15,230,000
		2051	15,850,000*

*Stated Maturity

The principal amount of a Term Bond required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bond of such stated maturity which, at least 50 days prior to the mandatory sinking fund redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption requirement.

SELECTION OF BONDS FOR REDEMPTION

If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner 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. By the date fixed for such redemption, due provision must be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND SUCH PROVISION MADE FOR THE PAYMENT OF THE BONDS, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE AFTER THE DATE FIXED FOR REDEMPTION, AND THEY WILL NOT BE REGARDED AS BEING OUTSTANDING EXCEPT FOR THE RIGHT OF THE REGISTERED OWNER TO RECEIVE THE REDEMPTION PRICE FROM THE PAYING AGENT/REGISTRAR OUT OF THE FUNDS PROVIDED FOR SUCH PAYMENT.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (hereinafter defined), or of any Direct Participant or Indirect Participant (hereinafter defined) to notify the Beneficial Owner (hereinafter defined), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such

Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption.

AMENDMENTS

Subject to the provisions of the Ordinance, the City may amend the Ordinance without the consent of or notice to any registered owners of Bonds in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds, no such amendment, addition, or rescission may (i) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the rate of interest thereon, or the redemption price therefor, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or rescission.

DEFEASANCE

The Ordinance provides that any Bond will be deemed paid and will no longer be considered to be outstanding within the meaning of the Ordinance when payment of principal of and interest on such Bond to its stated maturity or date of prior redemption has been made or provided for. Payment may be provided for by deposit of any combination of (i) money in an amount sufficient to make such payment and/or (ii) Government Securities (defined herein). Any such deposit must be certified by an independent public accountant, the System's Co-Financial Advisor, the Paying Agent/Registrar, or another qualified third party certifying as to such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for any purpose, including the application of any limitation on indebtedness. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that, the City's right to redeem the Bonds defeased to stated maturity is not extinguished if the City has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Board, the Co-Financial Advisors, and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (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 of 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"). DTC has a S&P Global Ratings' rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates 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 in 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, 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 of and interest on the Bonds to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Board, the Co-Financial Advisors, or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Bonds will be issued to the holders and the Bonds will be

subject to transfer, exchange, and registration provisions as set forth in the Ordinance and summarized under “THE BONDS - Transfer, Exchange, and Registration” below.

PAYING AGENT/REGISTRAR

The initial paying agent/registrar is UMB Bank, N.A., Dallas, Texas (the “Paying Agent/Registrar”). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar must be a commercial bank, trust company, financial institution, or other agency organized under the laws of the State and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice will also give the address of the new Paying Agent/Registrar.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (defined herein) (see “THE BONDS – Record Date for Interest Payment” herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, and payment on such date will have the same force and effect as if made on the original date payment was due.

Initially, the Bonds are issued utilizing the Book-Entry-Only System of the DTC. No physical delivery of the Bonds will be made to the Beneficial Owners of the Bonds and the registered owner of the Bonds appearing on the books of the Paying Agent/Registrar will be Cede & Co., the nominee of DTC. The use of the Book-Entry-Only System may affect the method and timing of payment to the Beneficial Owners of the Bonds (see “THE BONDS - Book-Entry-Only System” above).

TRANSFER, EXCHANGE, AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar 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 corporate trust 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. New Bonds registered and delivered in an exchange or transfer will be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “THE BONDS – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the following principal or interest payment date, or (ii) with respect to any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT

The record date (“Record Date”) for determining the person to whom interest on a Bond is payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and 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 (“Special Payment Date”, which must be 15 days after the Special Record Date) will 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 holder of a Bond appearing on the registration 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.

PAYMENT RECORD

The City has never defaulted in payments on its bonded indebtedness.

BONDHOLDERS’ REMEDIES

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not

uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of such Ordinance, 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 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption “THE BONDS – Authority for Issuance”), the City has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the City’s sovereign immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the City for breach of the covenants included in the Bonds or the Ordinance.

Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources”. While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018 clarifying 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 when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code, determination of which will dictate the availability of the defense of immunity for causes of action arising under such contract.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, 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 bondholders 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 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 Co-Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and principles of equity which permit the exercise of judicial discretion.

SOURCES AND USES OF BOND PROCEEDS

Proceeds from the sale of the Bonds, along with a cash contribution of the System, are expected to be expended as follows:

Sources of Funds	
Par Amount of the Bonds	\$274,375,000.00
Premium	66,483,570.70
System Contribution	709,042.81
Total Sources of Funds	\$341,567,613.51
 Uses of Funds	
Escrow Fund Deposit	\$13,661,656.58
Construction Fund Deposit	326,196,562.71
Underwriters’ Discount	994,231.18
Costs of Issuance and Additional Proceeds	715,163.04
Total Uses of Funds	\$341,567,613.51

SECURITY FOR THE BONDS

COMBINED SYSTEM

The City has previously authorized the creation of the System, a single, unified water system consisting of the City’s then existing waterworks, wastewater, and water reuse systems, together with all future improvements and additions thereto, and all replacements thereof. In addition, the

System Ordinance (hereinafter defined) permits the City to incorporate into the System a stormwater system (including all existing drainage facilities) and any other related system to the extent permitted by law. Currently, the City assumes the overall responsibility of the stormwater program. See “THE SAN ANTONIO WATER SYSTEM – Stormwater System” herein. The System will not include (i) any Special Projects which are declared by the City, upon the recommendation of the Board, not to be part of the System and which are financed with obligations payable from sources other than ad valorem taxes, Pledged Revenues, or Net Revenues, or (ii) any water or water-related properties and facilities owned by the City as part of its electric and gas systems.

To accommodate the assumption of the former Bexar Metropolitan Water District (“BexarMet”) waterworks system, the City, by ordinance of the City Council, created a “Special Project”, as authorized by the passage of Senate Bill 341 (“SB 341”) by the 82nd Texas Legislature in 2011 and pursuant to City ordinances authorizing then-outstanding Senior Lien Obligations, where that waterworks system resided from the time of assumption as a segregated component unit of SAWS until the occurrence of operational integration within the System. This Special Project is referred to herein as the “District Special Project” or the “DSP”; the former BexarMet waterworks system assumed by the City and held in the DSP is referred to as the “DSP System.” Following the retirement of all obligations secured by a lien on and pledge of and payable from the revenues of the DSP System, the DSP was dissolved, and the DSP System was consolidated into the System.

PLEDGED REVENUES

The Bonds are special obligations of the City which, together with the currently outstanding Previously Issued Junior Lien Obligations, Junior Lien Obligations–No Reserve Fund, and any Additional Junior Lien Obligations hereafter issued (collectively, the “Junior Lien Obligations”), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues of the System that is junior and inferior to the pledge thereof and lien thereon securing the repayment of the Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City (which first lien on Net Revenues is included in the definition of “Pledged Revenues”), along with any other additional revenues, income, receipts, or other resources that are pledged by the City to the payment of the Junior Lien Obligations (but excluding revenues excluded from Gross Revenues). At this time, no such additional revenues, income, receipts, or other resources are so pledged. The term “Net Revenues” means Gross Revenues less Maintenance and Operating Expenses. The term “Gross Revenues” means all revenue with respect to or on account of the operation and ownership of the System (which, since dissolution of the DSP, includes the DSP System), excluding (i) payments received by the Board under the CPS Contract (as defined herein) together with earnings thereon, (ii) income derived from the investment or deposit of money in the Construction Fund and, until the Reserve Fund contains the Required Reserve Amount, money in the Reserve Fund, and (iii) certain other amounts. Maintenance and Operating Expenses means all current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including, for example, the cost of all salaries, labor, and materials; certain expenses of repairs and extensions; the costs of employee benefits; and the costs of purchasing water and wastewater treatment services from other entities, but excluding allowance for depreciation and other items not requiring an outlay of cash, and excluding interest on the Bonds or any other Debt. For a more detailed description of the defined terms referenced above, see “APPENDIX D – SELECTED PROVISIONS OF THE ORDINANCE” herein.

The Bonds do not constitute an indebtedness or general obligation of the City, the State of Texas, or any other entity; the Bonds are not payable from any funds raised or to be raised by taxation; and owners of the Bonds shall never have the right to demand payment thereof from the levy of ad valorem taxes or from any other source not pledged to the payment of the Bonds. No lien has been created on the physical properties of the System to secure payment of the Bonds (see “BONDHOLDERS’ REMEDIES” herein).

FLOW OF FUNDS

The Ordinance provides that the Gross Revenues will be deposited by the Board, upon receipt, into the System Fund and will be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, including, but not limited to, Chapter 1502, Texas Government Code, as amended (formerly Texas Revised Civil Statutes Annotated Article 1113, as amended), to be a first charge on and claim against the Gross Revenues, including a two-month reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year, which amount shall be retained in the System Fund.

SECOND: to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City.

THIRD: to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security, and benefit of the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued by the City.

FOURTH: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security and benefit of the currently outstanding Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City.

FIFTH: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Inferior Lien Obligations hereafter issued by the City.

SIXTH: to the payment of the amounts to be transferred to the City’s General Fund and into the Renewal and Replacement Fund, in accordance with the applicable provisions of the Ordinance.

For a more detailed description of the funds referenced above, and the Board's obligations with respect thereto, see "APPENDIX D - SELECTED PROVISIONS OF THE ORDINANCE" herein.

BOND FUND; EXCESS BOND PROCEEDS

For purposes of providing funds to pay the principal of and interest on all Junior Lien Obligations (including the Bonds) as the same become due and payable, the City shall maintain, at the Depository, a separate and special fund or account created and known as the "Bond Fund". The City has covenanted that there shall be deposited from the System Fund into the Bond Fund prior to each principal and interest payment date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Junior Lien Obligations then falling due and payable, such deposits to pay maturing principal and accrued interest on the Junior Lien Obligations to be made in substantially equal monthly installments on or before the first day of each month, beginning on or before the first day of the month next following the delivery of the Bonds to the Underwriters. No such deposit shall be required if, on the first day of each month, revenues sufficient to pay the maturing principal and interest payments are and remain on deposit in the Bond Fund. If the Net Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Junior Lien Obligations shall continue to be made as hereinabove described until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all Outstanding Junior Lien Obligations (principal and interest) or (ii) the Junior Lien Obligations are no longer Outstanding.

Accrued interest and premium, if any, received from the Underwriters shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Net Revenues. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Net Revenues.

PARITY LIEN ORDINANCE AMENDMENT

By ordinance of the City Council adopted on March 8, 2012, the City has amended the respective City ordinances authorizing the issuance of each series of the then-outstanding Previously Issued Junior Lien Obligations. These ordinance amendments permitted the City to issue, under certain circumstances described below, Junior Lien Obligations-No Reserve Fund, which are City obligations payable from and secured by a junior and inferior lien on and pledge of Net Revenues on parity with the lien thereon and pledge thereof securing the Reserve Fund-Secured Junior Lien Obligations (defined below), but that are not additionally benefited by money on deposit in the Reserve Fund.

Prior to the effectiveness of these ordinance amendments, all Additional Junior Lien Obligations were required to be additionally secured by a lien on and pledge of the Reserve Fund. The aforementioned ordinance amendments, which are now effective, allow the City to issue Junior Lien Obligations-No Reserve Fund so long as such Junior Lien Obligations-No Reserve Fund are sold to parties other than the TWDB. The City remains permitted to issue from time-to-time Reserve Fund-Secured Junior Lien Obligations upon satisfaction of the conditions described below under "SECURITY FOR THE BONDS – Reserve Fund" (in addition to the other prerequisites to the issuance of Additional Junior Lien Obligations described herein under "THE BONDS – Additional Obligations").

The necessary amendments to City ordinances to permit the issuance of Junior Lien Obligations-No Reserve Fund were consented to by each bond insurer and surety fund provider for each series of then-outstanding Previously Issued Junior Lien Obligations, as well as the TWDB (being the sole owner or consent right holder with respect to this matter for each series of then-outstanding Previously Issued Junior Lien Obligations).

As used herein, "Junior Lien Obligations-No Reserve Fund" means the City's (i) Water System Junior Lien Revenue Refunding Bonds, Series 2012 (No Reserve Fund), (ii) Water System Junior Lien Revenue Refunding Bonds, Series 2013B (No Reserve Fund), (iii) Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (No Reserve Fund), (iv) Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund), (v) Water System Junior Lien Revenue and Refunding Bonds, Series 2014A (No Reserve Fund), (vi) Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund), (vii) Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund), (viii) Water System Junior Lien Revenue Refunding Bonds, Series 2016A (No Reserve Fund), (ix) Water System Junior Lien Revenue Refunding Bonds, Taxable Series 2016B (No Reserve Fund), (x) Water System Junior Lien Revenue and Refunding Bonds, Series 2016C (No Reserve Fund), (xi) Water System Junior Lien Revenue Refunding Bonds, Series 2017A (No Reserve Fund), (xii) Water System Junior Lien Revenue and Refunding Bonds, Series 2018A (No Reserve Fund), (xiii) Water System Variable Rate Junior Lien Revenue Bonds, Series 2019A (No Reserve Fund), (xiv) Water System Junior Lien Revenue Refunding Bonds, Series 2019C (No Reserve Fund), (xv) Water System Junior Lien Revenue and Refunding Bonds, Series 2020A (No Reserve Fund), (xvi) Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund), (xvii) upon issuance, the Bonds, and (xviii) any Additional Junior Lien Obligations hereafter issued that are not additionally benefited by money on deposit in the Reserve Fund; the term "Reserve Fund-Secured Junior Lien Obligations" means the Previously Issued Junior Lien Obligations and any Additional Junior Lien Obligations that are secured by a parity lien on and pledge of the Reserve Fund and specifically excluding the Junior Lien Obligations-No Reserve Fund.

RESERVE FUND

The City ordinances authorizing the respective issuance of the Previously Issued Junior Lien Obligations require the Board to accumulate and maintain a reserve for the payment of the currently outstanding Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations (the "Required Reserve Amount") equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the most recently issued series of Additional Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations) of the Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations. To comply with this requirement, the City has heretofore created and established and now maintains, a separate and special fund or account known as the "City of San Antonio, Waterworks and Sewer System Junior Lien Revenue Bond Reserve Fund" (the "Reserve Fund"), which fund or account is maintained at the Depository. All

funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the System Fund during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the currently outstanding Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on any Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations. As of the date of issuance of the Bonds, the Reserve Fund is fully funded with a combination of cash, investments, and reserve fund surety policies issued by qualified providers. The Reserve Fund does not additionally secure the Bonds.

Except as hereinafter described, as and when Additional Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations are delivered and incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the City ordinances authorizing the respective issuance of the Previously Issued Junior Lien Obligations that are Reserve Fund-Secured Junior Lien Obligations. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the issue of the then proposed Additional Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations, or, at the option of the City, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount other than as the result of the issuance of Additional Junior Lien Obligations that are Reserve Fund – Secured Junior Lien Obligations as described in the preceding paragraph), the City has covenanted and agreed to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said Fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the City to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The City has further covenanted and agreed that, subject only to the prior payments to be made to the Bond Fund relating to the Junior Lien Obligations and as required by the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations or any Additional Senior Lien Obligations hereafter issued by the City, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of the ordinances authorizing the respective issuance of Previously Issued Junior Lien Obligations that are Reserve Fund-Secured Junior Lien Obligations and any other ordinance pertaining to the issuance of any Additional Junior Lien Obligations that are Reserve Fund-Secured Junior Lien Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the City may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the System Fund; provided, however, to the extent that such excess amount represents bond proceeds, then such amounts must be transferred to the Bond Fund.

See “THE BONDS – Security and Source of Payment; Pledge of Net Revenues” and “SELECTED PROVISIONS OF THE ORDINANCE – Reserve Fund” in APPENDIX D herein.

PAYMENTS TO GENERAL FUND OF THE CITY

General. Pursuant to the Ordinance, the Board is required to transfer to the General Fund of the City, no later than the last business day of each month, an amount of money calculated not to exceed 5% (or such lesser amount as may be determined from time to time by the City Council) of the Gross Revenues (after payment of all Maintenance and Operating Expenses and debt service requirements on any outstanding Debt) for the preceding month to be utilized by the City in the manner permitted by the provisions of Chapter 1502, Texas Government Code, as amended. The amount so transferred shall be net of all amounts owed by the City to the Board for use of the System’s services and facilities by the City and its instrumentalities. The amounts payable to the General Fund of the City are required to be paid *pari passu* with deposits to the Renewal and Replacement Fund. (See “SECURITY FOR THE BONDS – Renewal and Replacement Fund” below.)

To the extent that the available Net Revenues in any month are insufficient for the Board to make all or part of the transfer otherwise required to be made to the General Fund of the City, the Board is required to make up such shortfall (i) in the next month in which available Net Revenues exceed the amounts otherwise required to be transferred to the General Fund of the City and the *pari passu* payment to the Renewal and Replacement Fund, or (ii) to the extent such shortfall has not been made up by the last month of the Fiscal Year, solely from any surplus funds deposited into the Renewal and Replacement Fund during such Fiscal Year. The Board’s obligation to make up any shortfall in a Fiscal Year does not carry over to a subsequent Fiscal Year.

Effective with the City’s 2020 Fiscal Budget, the transfer to the City increased from 2.7% to 4.0% of Gross Revenues. SAWS’ evaluation of this increase has determined it will not materially impact the System’s current financial position or its operations. SAWS transferred \$31,043,000 to the City in SAWS’ Fiscal Year 2020 and budgets to transfer \$30,930,000 in Fiscal Year 2021.

See “APPENDIX D - SELECTED PROVISIONS OF THE ORDINANCE – Payments to City General Fund” herein.

RENEWAL AND REPLACEMENT FUND

The Renewal and Replacement Fund has been established and confirmed under the Ordinance for the purpose of (i) paying the costs of improvements, enlargements, extensions, additions, replacements or other capital expenditures related to the System, (ii) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, (iii) paying unexpected or

extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, (iv) depositing any funds received by the City pursuant to the contract with CPS Energy, the City owned electricity and gas utility, for the provision of recycled water (the "CPS Contract"), and such funds, including any interest or income thereon, are required to be maintained in a separate, segregated account of the Renewal and Replacement Fund and may only be used to pay Maintenance and Operating Expenses of the System's water reuse facilities or the debt service requirements on any obligations incurred as permitted by the CPS Contract and in no event may any such amount, including interest and income thereon, be transferred to the General Fund of the City, except as permitted by the CPS Contract, (v) paying bonds or other obligations of the System for which other System revenues are not available, (vi) in the last month of any Fiscal Year to make up any shortfall in the required payments to the General Fund of the City, or (vii) for any other lawful purpose in support of the System.

Deposits to the Renewal and Replacement Fund are required to be *pari passu* with the gross amount payable to the General Fund of the City (prior to the deduction of any charges for water utility services provided by the System to the City) until the full amount payable to the City has been paid. That is, such deposits to the Renewal and Replacement Fund are to be made equally and ratably, without preference, and on a dollar-for-dollar basis with the gross amount payable to the General Fund of the City, prior to the deduction of any charges for services, until the full amount to be paid to the General Fund of the City in a Fiscal Year has been paid. Thereafter all surplus Net Revenues are to be deposited to the Renewal and Replacement Fund. See "APPENDIX D - SELECTED PROVISIONS OF THE ORDINANCE – Renewal and Replacement Fund" herein.

RATE COVENANT

The City has agreed, while any of the Senior Lien Obligations and Junior Lien Obligations are outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- (a) to pay Maintenance and Operating Expenses;
- (b) to produce Pledged Revenues sufficient to pay (i) 1.25 times the Annual Debt Service Requirements for such Fiscal Year on the Senior Lien Obligations, and (ii) the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Senior Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues;
- (c) to produce Net Revenues, together with any other lawfully available funds (including the proceeds of Debt which the City expects will be utilized to pay all or part of the principal and interest on any obligations described in this subparagraph), sufficient to pay the principal of and interest on the currently outstanding Junior Lien Obligations and the Subordinate Lien Obligations or any Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, and/or Inferior Lien Obligations hereafter issued by the City and the amounts required to be deposited in any special fund created for the payment and security of any such obligations, and any other obligations payable from and secured by a junior, subordinate or inferior lien on and pledge of the Net Revenues;
- (d) to produce Net Revenues, together with any other lawfully available funds, to make the required transfers to the General Fund of the City as described in the Ordinance; and
- (e) to pay any other Debt payable from the Net Revenues or secured by a lien on revenues of the System.

See "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION – Monthly, Water, Sewer, and Water Supply Fee Rates" and "APPENDIX D - SELECTED PROVISIONS OF THE ORDINANCE – Rates and Charges" herein.

REFUNDABLE TAX CREDIT BONDS

The refundable tax credits to be received by the City in connection with any obligations secured by System revenues that are designated as obligations entitling the City to the receipt of refundable tax credits from the United States Department of the Treasury under the Internal Revenue Code of 1986, as amended (the "Code") (including, but not limited, to obligations designated as "build America bonds" and "qualified bonds" under the Code), will be considered as an offset to debt service on those obligations to which the credit relates for the purpose of satisfying any debt service coverage requirements under the Ordinance, including satisfaction of any rate covenant, reserve fund requirement, or prerequisite to the issuance of additional indebtedness at any lien level.

The City has determined that the reduced amount of refundable tax credit payments to be received from the United States Treasury in relation to its outstanding obligations designated as "build America bonds" or "qualified bonds" under the Code as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to the Budget Control Act of 2011 (commonly referred to as "Sequestration"), and extensions thereof pursuant to the Bipartisan Budget Act of 2013, will not have a material impact on the financial condition of the City or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing. See Footnote (2) to the table appearing under "DEBT AND OTHER FINANCIAL INFORMATION –Combined System Revenue Debt Service Requirements" herein.

Under current law, Sequestration is scheduled to continue through September 2030. Assuming Congress does not repeal the sequester, the percentage reduction that will be applied to payments of issuers of direct-pay bonds for Fiscal Years 2021 thru 2030 will be 5.7 percent. Additionally, on June 22, 2020, the Internal Revenue Service ("IRS") issued a notice that due to the suspension or limitation of operations related to the Pandemic, the processing of returns for credit payments to issuers of qualified bonds, including requested payments, were being delayed. See "EFFECT OF SEQUESTRATION AND IRS OPERATIONS DURING THE PANDEMIC" herein. In June 2019, the City defeased certain maturities of its outstanding Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy - Build America Bonds) (the "2009B Bonds"), and in October 2019, the City refunded its Water System Revenue Bonds, Taxable Series 2010B (Direct Subsidy - Build America Bonds) (the

“2010B Bonds”, and together with the 2009B Bonds, the “Tax Credit Bonds”). As a result of the foregoing actions, the City’s exposure to any Sequestration risk or any delays in processing by the IRS has been significantly reduced due to the limited remaining principal amount of the Tax Credit Bonds outstanding.

COMMERCIAL PAPER NOTE PROGRAM

The City Council has authorized a Tax-Exempt Commercial Paper Program for the System (the “TECP”) in the amount of \$500,000,000, to be issued from time to time as the City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-1 (the “Subseries A-1 Notes”), City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-2 (the “Subseries A-2 Notes”, and collectively with the Subseries A-1 Notes, the “Series A Notes”), City of San Antonio, Texas Water System Commercial Paper Notes, Series B (the “Series B Notes”), and City of San Antonio, Texas Water System Commercial Paper Notes, Series C (the “Series C Notes”). The purpose of the TECP is to provide funds for the interim financing of a portion of the costs of capital improvements to the System. Scheduled maturities of the short-term borrowing under the TECP may not extend past September 13, 2058. The TECP is supported by two separate revolving credit agreements, the first with JPMorgan Chase Bank, National Association (“JPMorgan”), which expires in accordance with its terms on October 4, 2023 (the “Subseries A-1 Credit Agreement”). The second revolving credit agreement is with Wells Fargo Bank, N.A. (“Wells Fargo”), which expires in accordance with its terms on January 5, 2024 (the “Series C Credit Agreement”). Capacity under the Series C Credit Agreement is currently fully consumed by a direct placement note with Wells Fargo with a maturity date of October 5, 2021. The TECP is also supported by a note purchase agreement directly placed with JPMorgan (the “Subseries A-2 Purchase Agreement” and together with the Subseries A-1 Credit Agreement and the Series C Credit Agreement, the “Credit Agreements”), the term of which runs concurrently with the Subseries A-1 Credit Agreement, and the Subseries A-2 Notes are not currently eligible to be publicly marketed and sold. The City initially issued, and the City is required to maintain outstanding for the duration of the term of the Subseries A-2 Purchase Agreement, \$2,000,000 in Subseries A-2 Notes.

Liquidity support for the TECP’s entire \$500,000,000 authorization is currently in place with JPMorgan supporting the Series A Notes in the amount of \$400,000,000 (although the Subseries A-2 Purchase Agreement requires \$2,000,000 remain outstanding thereunder, thus reducing the available support to \$398,000,000), and Wells Fargo supports the Series C Notes in the amount of \$100,000,000.

On April 15, 2020, the revolving credit agreement with Wells Fargo previously supporting the Series B Notes was amended to allow for a direct placement of the Series C Notes with Wells Fargo in the amount of \$100,000,000 with a maturity date of October 5, 2021 and to amend the expiration date of the agreement to January 5, 2024.

As of the date of this Official Statement, \$234,020,000 in Commercial Paper Notes are outstanding, comprised of \$132,020,000 in Subseries A-1 Notes, \$2,000,000 in Subseries A-2 Notes, and \$100,000,000 in Series C Notes. Any advances for payment of the Commercial Paper Notes under the Credit Agreements are secured by a lien and pledge of the Net Revenues of the System subordinate to the Senior Lien Obligations, and the Junior Lien Obligations (including the Bonds), and on a parity with the Commercial Paper Notes (which are the only Subordinate Lien Obligations currently outstanding), and the System’s obligations under the interest rate hedge transaction described herein. (See “THE SAN ANTONIO WATER SYSTEM – Interest Rate Hedge Transaction” herein.)

THE SAN ANTONIO WATER SYSTEM

HISTORY AND MANAGEMENT

On February 13, 1992, the City Council determined that it was in the best interest of the citizens of the City and the customers served by the water and wastewater systems to consolidate all water related systems, functions, agencies, and activities into one agency. This action was taken due to the myriad of issues confronting the City related to the development and protection of its water resources. The consolidation provided the City a singular voice of representation when promoting or defending the City’s goals and objectives for water resource protection, planning and development when dealing with local, regional, state, and federal water authorities and officials.

Final City Council approval for the consolidation was given on April 30, 1992 with the approval of Ordinance No. 75686 (the “System Ordinance”). The System Ordinance approved the creation of the System, a single unified system consisting of the City’s existing waterworks (formerly the City Water Board), wastewater and water reuse systems (formerly departments of the City), together with all future improvements and additions thereto, and all replacements thereof. In addition, the System Ordinance authorizes the City to incorporate into the System a stormwater system and any other related system to the extent permitted by law.

Simultaneously with the creation of the System, the City sold its \$635,925,000 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 1992 for the purpose of (i) enabling the City to consolidate its waterworks, wastewater and water reuse systems, and (ii) refunding all outstanding obligations of the City issued to finance improvements to and extensions of its waterworks, wastewater and water reuse systems; and refunding certain other outstanding obligations relating to the City’s waterworks, wastewater and water reuse systems, which are secured by and payable from a pledge of revenues derived from, the City’s waterworks, wastewater and water reuse systems, respectively. The City believes that refunding the obligations and establishing the System in 1992 has allowed the City greater flexibility in meeting future financing requirements. More importantly, it has allowed the City to develop, implement, and plan for its water needs through a single agency.

The System provides water and wastewater service to the majority of the population within the corporate limits of the City and Bexar County. The System employs approximately 1,766 personnel and maintains 13,090 miles of water and sewer mains.

The complete management and control of the System is vested in the Board, which initially had five members. Subsequent legislation authorized expansion to a board consisting of seven members. The Board consists of the Mayor of San Antonio (as an ex-officio Board member) and up to six persons who are residents of the City or reside within the area serviced by the System. With the exception of the Mayor, all other Board members are appointed by the City Council for four-year, staggered terms, and are eligible for reappointment for one additional four-year term. Four Board members must be appointed from four different quadrants in the City and two Board members are appointed from the north and south

sides of the City. Notwithstanding the foregoing, the membership on the Board may be increased to an amount greater than seven, to include the Mayor of the City as an ex-officio member, as otherwise appointed by the City Council.

Attached hereto as APPENDIX B is an excerpt of SAWS' Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020 which provides the System's recent audited operating results and is available through SAWS' website at www.saws.org. See "APPENDIX B – EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM COMPREHENSIVE ANNUAL FINANCIAL REPORT". Attached hereto as APPENDIX C are the System's most recent unaudited operating results. See "APPENDIX C – UNAUDITED FINANCIAL STATEMENTS (THROUGH MARCH 31, 2021)".

The present members of the Board are:

Board	Length of Service	Term Expires	Occupation
Jelynn LeBlanc Burley Chairwoman	10 Months	May 31, 2022	President and CEO The Center for Health Care Services
David McGee Vice Chair	6 Years, 9 Months	May 31, 2021 ⁽¹⁾	President/CEO of San Antonio Region Amegy Bank of Texas
Eduardo Parra Secretary	3 Years, 3 Months	May 31, 2021 ⁽¹⁾	CEO – Principal Engineer Parra & Co., LLC.
Amy Hardberger Assistant Secretary	3 Years, 3 Months	May 31, 2021 ⁽¹⁾	Associate Dean/Law Professor St. Mary's University
Ed Belmares Trustee	9 Months	May 31, 2024	Owner IConnect, LLC
Vacant ⁽²⁾ Trustee	-	-	-
Ron Nirenberg, Mayor and Ex-Officio Member	3 Years, 11 Months	May 31, 2023	Broadcast General Manager

⁽¹⁾ Position to remain occupied by current member until either reappointed or a new member is appointed by City Council.

⁽²⁾ Applications for this vacant position will open in July 2021.

Except as provided in the System Ordinance, the Board has absolute and complete authority and power to control, manage, and operate the System and controls the expenditure and application of the Gross Revenues of the System and in connection therewith is vested with all of the powers of the City with respect thereto, including all powers necessary or appropriate for the performance of all covenants, undertakings, and agreements of the City contained in the System Ordinance, and with the exception of fixing rates and charges for services rendered by the System and other matters hereinafter described, the Board has full power and authority to make rules and regulations governing the furnishing of services of the System to customers for the payment of the same, and for the discontinuance of such services upon the failure of customers to pay for the services.

The Board, to the extent authorized by law, has authority to make extensions, improvements, and additions to the System and to acquire by purchase or otherwise properties of every kind in connection therewith.

EXCEPTIONS

As noted, under the System Ordinance, only the City Council can fix rates and charges for service rendered by the System. Similarly, State law provides that only the City Council can authorize the sale of revenue bonds or other securities, exercise the use of condemnation for the acquisition of real property, and select and appoint members of the Board. Additionally, Ordinance No. 74050 adopted on August 1, 1991, provides that the disposition of real property by the System requires some degree of oversight by the City.

The general operations of the System are under the supervision of the President/Chief Executive Officer who is employed by the Board. The Board shall appoint and employ all other officers, employees, and professional consultants, which it may deem desirable.

ADVISORY COMMITTEES

There are three ongoing advisory committees which provide comment and report to the Board and the System staff on System projects and activities: the Customer Experience Committee ("CXC"), the Community Conservation Committee ("CCC"), and the Capital Improvements Advisory Committee ("CIAC"). Members for each of these committees are sought to represent diverse interests from the System's service area. In addition to these ongoing advisory committees, the Rate Advisory Committee ("RAC") is a special purpose committee that was implemented in 2019. Similar to the other committees, the membership of RAC is designed to represent diverse viewpoints from the System's service area.

Customer Experience Committee. The CXC was created on April 6, 2021. The purpose of the CXC is to both involve the community in the System's development of operations and outreach, as well as provide key representatives that can act as ambassadors to the community. The CXC will work with System staff to provide customer perspectives and serve as an outlet of information to the community on System activities and programs.

Community Conservation Committee. The CCC was organized in 1996 to provide input to System staff and the Board on conservation issues. The CCC is the cornerstone of the System's public involvement in conservation and drought management efforts.

The CCC provides input on program development, program performance, and new program ideas. Some of its work is accomplished through focus groups that enlist community experts to address specific issues – residential, commercial, institutional, and industrial. Over the last several years, the CCC's major accomplishments included the development of a pilot program to evaluate and reduce water use among the System's top

commercial and residential users and assistance in the development of better marketing methods to inform the community about conservation programs. The CCC has also been instrumental in providing input as the System's conservation focus shifted to a primarily outdoor paradigm.

Capital Improvements Advisory Committee. The CIAC advises the City Council on impact fees and was first formed in 1987. The 11-member committee is appointed by City Council (one from each City Council district and one member appointed by the Mayor to represent the City's extraterritorial jurisdiction), with representation from the real estate and development industry and the general community.

Impact fees are one-time fees charged to developers for new development to pay for general benefit facilities such as treatment plants, tanks, wells, water supply projects, and large transmission mains and outfall mains. Collecting adequate impact fees helps fund construction of infrastructure needed to support growth with minimum impact on existing ratepayers. The impact fees are required to be updated at least every 5 years, with the most recent update approved May 16, 2019. (See "SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION - Impact Fees" herein.)

Rates Advisory Committee. SAWS has begun a comprehensive rates, fees, and charges study (the "Rate Design Study"). The purpose of the Rate Design Study is to provide SAWS with information regarding the rate structure for water delivery, water resource development, recycled water, and wastewater. The RAC, comprised of a cross-section of SAWS' customers, will be asked to provide input to the Board on the Rate Design Study. Among the various rate issues to be addressed, the Rate Design Study will evaluate the differential between inside city limit rates and outside city limit rates; the basis for residential wastewater charges (winter average versus water consumption); affordability considerations; and industry practices. The RAC met a total of eight times from September 2019 to February 2020. During these meetings, the RAC prioritized pricing objectives, reviewed usage characteristics and cost allocation methodologies, and approved the cost of service by customer class recommendations. As a result of the COVID-19 pandemic, the RAC has been suspended since March 2020. SAWS anticipates restarting the RAC in early 2022. Any rate design changes which may be recommended as a result of this process and potentially approved by both the SAWS' Board and City Council will likely not take effect until January 2023.

ADMINISTRATION AND OPERATING PERSONNEL

The President/Chief Executive Officer of SAWS is Robert R. Puente. Prior to joining SAWS in May 2008, Mr. Puente served in the Texas House of Representatives where he was Chair of the House Natural Resources Committee and served on the House Local Ways and Means Committee. Mr. Puente was first elected to the Texas House of Representatives in 1991. Mr. Puente also received his Doctor of Jurisprudence from The University of Texas School of Law in 1982, and practiced law as a private attorney and managed his own firm from 1983 to 2008.

The Senior Vice President/Chief Operating Officer is Steven M. Clouse. Mr. Clouse retired from SAWS as Senior Vice President/Chief Operating Officer effective December 31, 2018 after more than 30 years of service. Mr. Clouse worked in several departments and served in many capacities prior to his retirement. Mr. Clouse returned to SAWS effective December 2, 2019 as the Senior Vice President of Engineering and Construction and transitioned to Senior Vice President/Chief Operating Officer in February 2020. Prior to the System's inception in 1992, he worked for the Environmental Management Department of the City.

The Senior Vice President/Chief Financial Officer is Douglas P. Evanson. Mr. Evanson joined SAWS in April of 2005. Prior to joining SAWS, Mr. Evanson was the Assistant Treasurer at Black & Veatch. Before that, he was the Chief Financial Officer for United Energy and Multinet Gas, electricity and natural gas distribution companies located in Melbourne, Australia.

The Vice President and General Counsel is Nancy Belinsky. Ms. Belinsky joined the System in 2003. Prior to joining SAWS, Ms. Belinsky practiced commercial real estate law with the law firm of Akin Gump Strauss Hauer and Feld LLP. Ms. Belinsky received her Doctor of Jurisprudence from St. Mary's University School of Law.

The Vice President of Human Resources is Sharon De La Garza. Ms. De La Garza joined the System in 2012. Prior to joining SAWS, Ms. De La Garza was Assistant City Manager for the City of San Antonio, having spent a total of ten years with the City. Ms. De La Garza also served as the Assistant Human Resources Director and Human Resource Director for the City of Dallas, Texas from 1999 to 2004.

The Vice President of Water Resources & Governmental Relations is Donovan Burton. Mr. Burton joined SAWS in November of 2006. Prior to joining SAWS, he worked for 10 years for a local State Representative in Austin, heading up a legislative office and a committee with primary jurisdiction over military and homeland security issues. Mr. Burton also served in the U.S. Navy for four years from 1989-1993.

The Vice President of Communications & External Affairs is Gavino Ramos. Mr. Ramos joined the System in early 2015. Prior to joining the System, Mr. Ramos served as Director of Corporate Communications for the Leonard Holding Company. Mr. Ramos also serves as the Vice Chairman of the Alamo Regional Mobility Authority.

Name	Position	Length of Service with System	Total Government Service
Robert R. Puente	President/Chief Executive Officer	13 Years, 1 Month	30 Years, 5 Months
Steven M. Clouse	Senior Vice President/Chief Operating Officer	30 Years, 10 Months	32 Years, 7 Months
Douglas P. Evanson	Senior Vice President/Chief Financial Officer	16 Years, 1 Month	16 Years, 1 Month
Nancy Belinsky	Vice President and General Counsel	18 Years, 2 Months	18 Years, 2 Months
Sharon De La Garza	Vice President - Human Resources	9 Years, 3 Months	25 Years, 2 Months
Donovan Burton	Vice President – Water Resources & Governmental Relations	14 Years, 6 Months	28 Years, 11 Months
Gavino Ramos	Vice President – Communications & External Affairs	6 Years, 2 Months	6 Years, 2 Months

SYSTEM STRUCTURE

The System is structured to strategically position functions to maximize efficiencies and responsiveness to System customers. Six groups report to the President/CEO, which include the Senior Vice President/COO, Senior Vice President/CFO, Vice President and General Counsel, Vice President – Human Resources, Vice President – Water Resources & Governmental Relations, and Vice President – Communications & External Affairs.

The Internal Audit Department, which is responsible for financial and operational audits of System departments, divisions, activities, and programs, reports functionally to the Board and administratively to the President/CEO.

President/Chief Executive Officer. The President/CEO is responsible and accountable for leading and managing the System, including the implementation of the policy goals set by the Board of Trustees and City Council. The President/CEO sets the vision and works alongside employees to achieve SAWS' mission and goals.

Senior Vice President/Chief Operating Officer. The Senior Vice President/Chief Operating Officer is responsible for the day-to-day operations of the System. The following groups report directly to the Chief Operating Officer:

Production and Treatment

The Production and Treatment group provides the essential function of managing the 24-hour-a-day operation of the Waterworks System and Wastewater System (each as defined herein). The group is responsible for the production and distribution of potable water; the treatment of wastewater for distribution in the recycle system or discharge; the processing of wastewater biosolids for ultimate disposal; the distribution of recycled water for reuse purposes; management of the City-wide odor control program; acquisition and maintenance of fleet vehicles and equipment; management and maintenance of facilities; centralized chilled water operations; and security of facilities and personnel. The group consists of the following departments:

- Production – Manages the production of potable water across the System's service area. Operates the System's potable water facilities, recycle water distribution, and the H₂Oaks Facility operation. Also manages the Production Mechanical Maintenance unit and associated instrumentation and controls. This group will support the operation of the new Agua Vista Station, which will receive and treat Vista Ridge water for transmission into the SAWS' distribution system;
- Treatment Operations Management – Oversees all the operations of the three water recycling centers of the System as well as manages all the biosolids to ensure proper recycling or disposal in compliance with State and federal regulations. Manages the Wastehauler program and odor control program. Operates the recycle water system outfalls and manages environmental flows to the river;
- Security – Manages a proactive security program and associated support contracts for the System facilities;
- Treatment Maintenance Management – Manages centralized mechanical and electrical maintenance across all the System's production, treatment, and lift station facilities to include the H₂Oaks Facility. The department also maintains the recycle water system outfalls and special project construction and repairs across the System; and
- Predictive Maintenance – Manages and plans maintenance functions within the Production and Treatment group, as well as performs analysis to reduce critical infrastructure failures and ultimately improve systems.

Sewer System Improvements

The Sewer System Improvements Department is responsible for developing, implementing, and administering various programs designed to reduce sanitary sewer overflows in the wastewater collection and transmission system ("WCTS"), including the following:

- Capacity Assessment – Responsible for evaluating the capacity of the wastewater collection and transmission system through flow monitoring and a series of hydraulic modeling, direct the Inflow/Infiltration Reduction Program to decrease excess flow from entering the WCTS during significant rain events;
- Capacity, Management, Operation & Maintenance – Comprehensive program encompassing activities to optimize the performance of the wastewater collection and transmission system related to sanitary sewer overflow ("SSO") reduction, including a System-wide cleaning program, Fats, Oils, and Grease Control Program, and Smart Cover/Clean Program;
- Program Administration – Leads the comprehensive Sewer System Improvement program activities related to SSO reduction. Provides overall data management and reporting pertaining to the operations and maintenance of the wastewater collection and transmission system; and
- Structural Sewer Assessment – Provides program direction for activities associated with inspecting, assessing, and performing remedial measures associated with condition and capacity constraints in the wastewater collection and transmission system.

Distribution and Collection Operations

The Distribution and Collection Operations group operates, maintains, and repairs the water distribution and wastewater collection systems ensuring the System's customers receive uninterrupted, quality potable water and associated wastewater services. This is accomplished by providing:

- Construction & Maintenance – Repairs and proactively maintains the wastewater collection system, including line cleaning and televising to verify sewer infrastructure condition and pinpoint defects. Performs flowable fill backfills and concrete/asphalt restoration following pipeline repairs. Water Loss & Recovery oversees all meter repair resources and the proactive leak detection, valve assessment, and fire hydrant maintenance programs. Operations Support provides administrative support to departments within the group, including invoice processing, data management, service contract management, materials acquisition, and notification services for maintenance crews. Operations Support also performs emergency and routine field investigations including utility locate services; and

- Operation Centers – SAWS’ utility crews are mobilized from five strategically located operations centers throughout the City: Northeast, East Side, North Side, West Side, and Steven M. Clouse Water Recycling Center (formerly Dos Rios) on the South Side. SAWS’ operations centers are staffed with the necessary resources to properly repair and maintain underground water, wastewater, recycled water, and chilled water infrastructure throughout the SAWS’ service area.

Engineering and Construction

The Engineering and Construction group coordinates the development and execution of the System’s annual Capital Improvements Program (“CIP”; see “DEBT AND OTHER FINANCIAL INFORMATION – Capital Improvement Program” herein). The group performs engineering analysis of existing facilities and plans new infrastructure to meet the increasing water and wastewater demands of the growing community. The group also designs and manages the construction of new and replacement water and wastewater infrastructure. The Engineering and Construction group is further broken down into the following departments:

- Pipelines – Plans and coordinates design activities and manages construction for new and rehabilitated water distribution system and wastewater collection system projects;
- Construction – Inspects pipeline construction projects for water and sewer and water supply projects;
- Development – Manages impact fee program, develops water and wastewater master plans, coordinates infrastructure necessary for new development, and provides engineering support to Distribution and Collection Operations and Production and Treatment Operations;
- Plants and Major Projects – Plans, coordinates design activities and manages construction for water supply integration projects, new water supply development, potable and recycled water production facilities, and wastewater treatment plants;
- Central Water Integration Pipeline – Manages the design and construction of system improvements necessary to effectively integrate water from the Vista Ridge Pipeline into SAWS’ existing System; and
- Service Center Projects – Manages the design and construction of new operation center.

Fleet and Facilities Maintenance

The Fleet and Facilities Maintenance group provides comprehensive maintenance services for vehicles and equipment. The Fleet Department manages vehicle replacement and disposal. Facilities Maintenance provides building maintenance and management services at SAWS’ facilities. Additionally, Fleet & Facilities manages the Chilled Water plants serving customers downtown and at Port San Antonio. Fleet & Facilities also oversees the Office of Energy Management which manages the process for electric/gas services metering, bill review and payment for SAWS’ activities.

Senior Vice President/Chief Financial Officer. The Senior Vice President/Chief Financial Officer (“CFO”) is responsible for the overall financial management of the System. The following groups report directly to the CFO:

Financial Services

The Financial Services Group is headed by the Senior Vice President/CFO and ensures the utility’s efficient operation by effectively managing and reporting on the corporate financial position, ensuring financial compliance with current legal and regulatory requirements, and providing timely financial support, services, and guidance to internal and external stakeholders. This is accomplished through the following functions:

- Accounting and Business Planning:
 - Accounting – Responsible for accurate and timely accounting and financial reporting through the general accounting, property accounting, payroll, and accounts payable departments;
 - Business Planning – Ensures that SAWS’ strategic objectives are financially supported through short and long range financial planning, developing, and implementing the annual budget and developing rates sufficient to fund SAWS’ capital and operating activities;
- Continuous Improvement and Innovation – Conducts business performance reviews and process analysis across the organization to streamline operations, maximize budgetary resources, promote efficiencies, enhance customer service, and implement innovative management practices;
- Treasury – Responsible for banking relationships, investment and debt management, and remittance (customer payment) processing; and
- Purchasing – Manages the processing and contracting of all procurement requests for materials, supplies and services. Also manages the inventory control function.

Information Services

Information Services delivers quality, secure, cost-effective applications and information technology services, designed to promote innovation to sustain growth and enable the System to better serve the community. This group is further broken down into the following departments:

- Enterprise Solutions:
 - Geographic Information Systems (“GIS”) – Develops, analyzes, and delivers geographic data and solutions related to SAWS’ infrastructure and activities.
 - Control Systems – Implements, monitors, and maintains supervisory control and data acquisition (SCADA) systems.
 - Enterprise Resource Planning – Responsible for the programming, configuration, implementation, support, and sustainability for all major business support applications.
 - Data and Platform Services – Manages the enterprise data warehouse, business intelligence and GIS platforms to provide SAWS timely information for decision making.

- Innovative Systems – Delivers rapid and effective development of innovative solutions for SAWS with a specific focus on improving customer experience through technology.
- Shared Services – Supports SAWS’ technology initiatives through project life-cycle management, metrics-based tracking, business process re-engineering, quality control/assurance, and organizational change management.
 - Client Services – Supports workstation and related peripheral devices across the System, including desktop support services as well as technology, software orders, and requisitions.
 - Billing and Print Shop – Provides computer operations and bill printing services as well as copy services.
- IT Infrastructure and Operations:
 - Operations – Manages telecommunication services including Internet protocol (IP) telephony, teleconferencing, call center systems, interactive voice response systems, recording systems, digital radio systems and 911 systems.
 - Engineering – Provides network and Internet services, including all aspects of network architecture and engineering, and wired and wireless network infrastructure for SAWS’ facilities.
 - Infrastructure – Responsible for all aspects of System’s administration, database administration, systems software and hardware, the storage area network, backup, and disaster recovery.
 - Information Security – Responsible for developing, monitoring, and maintaining cyber security controls to protect the confidentiality, integrity, and availability of enterprise data and information systems assets.

Customer Experience and Strategic Initiatives

Customer Experience and Strategic Initiatives is responsible for providing the highest level of service to System customers at all times, responding in the most expedient and professional manner possible. This group is also responsible for the accurate and timely billing of System customers and maintenance of customer accounts. This group consists of the following departments:

- Billing and Customer Care – Reviews the billing process for accuracy of all the System’s bills printed daily and resolves customer service billing issues. Also handles all inbound telephone, electronic and in-person customer inquiries regarding billing, account information, service problems and payments;
- Field Operations – Responsible for meter reading; service turn-on/off requests; and service investigations. Ensures service excellence through random verification of meter reads and reduces revenue losses through theft detection efforts;
- Performance Analysis and Training – Responsible for data analytics, training, and process improvements throughout Customer Service; and
- Emergency Operations Center – Manages 24-hour emergency center and reports/dispatches crews for water leaks; main breaks, and overall tactical response to problems with the System.

Vice President and General Counsel. The Vice President and General Counsel provides legal advice and counsel to the Board and System management and is responsible for strategic management and all real estate assets and purchases, and administration of all contracts for construction and professional services. This group consists of the following departments:

- Legal Services – Provides full service, in-house legal support to the Board, Executive Management, and staff; manages the activities of outside legal counsel. The range of legal expertise includes water resources, labor and employment, litigation management, real estate, general transactional, environmental, and public law;
- Contracting – Manages the procurement and administration of all construction and professional services contracts in compliance with all applicable laws and oversees administration of the System’s Award Winning Small, Minority, Women and Veteran Owned Business Program;
- Corporate Real Estate – Implements property acquisitions, dispositions, and lease management activities and supports all construction and maintenance activities by obtaining all rights of entry and easements; and
- Records Management – Manages all utility records in compliance with Texas Local Government Records Act, Texas Public Information Act, and best records management practices.

Vice President – Human Resources. The Vice President – Human Resources is responsible for all aspects of human resources. Human Resources engages in attracting, training, and retaining a workforce of qualified employees to help the System in reaching its organization goals and mission through a focus on excellence and continuous improvement. Human Resources consists of the following departments:

- Talent Acquisition & Succession – Proactively implements recruitment strategies to attract, secure and retain top talent for SAWS. Recruits employee resources required by all administrative and operational areas. Forecasts and assists organizational areas with succession management;
- Learning & Development – Develops strategies and designs for organizational development, talent and performance management, employee engagement, and change management functions. Manages learning initiatives around a continuous cycle of needs analysis, design, project management, delivery, and evaluation. Helps lead culture change through processes that support organizational learning, including the continual enhancement of the performance evaluation process;
- Employment Relations – Provides proactive assistance to employees and supervisors regarding the interpretation and implementation of policies, procedures, and directives. Provides direction and oversight for a variety of employment matters, including performance and disciplinary issues, investigations into formal complaints, and other workplace concerns;
- Compensation & Benefits – Plans, develops, and manages the employees’ compensation, benefit, and wellness programs, as well as balancing competitiveness and cost efficiency for these plans and programs. Responsible for the plan, development, and fiscal accountability of all medical and prescription plans, pension programs, wellness initiatives, and oversees the administration of these plans and programs;

- Risk Management – Addresses risk management issues, managing all facets of the comprehensive commercial insurance program including administration of premises risk assessments. Administers all workers compensation, casualty, and subrogation claims; and
- Safety & Environmental Health – Coordinates all workplace safety activities to ensure a safe environment for employees. Partners with organizational management in anticipating safety challenges and exploring opportunities for improvement.

Vice President – Water Resources & Governmental Relations. The Vice President – Water Resources & Governmental Relations is responsible for the development and management of water supplies, drought management, and water rights acquisitions. The group consists of the following departments:

- Water Resources – Implements the SAWS’ long-range Water Management Plan, through proactively managing existing supplies to ensure customer needs are met and leading efforts in the planning and development of new water supply opportunities to meet the City’s population growth. Water Resources is also responsible for the marketing of the direct recycled water program as well as directing efforts to minimize non-revenue water and ensuring efficient use of water;
- Governmental Relations – Identifies and manages critical issues that have public impact and manages key strategic relationships with elected officials and agencies at the regional, state, and federal levels;
- Vista Ridge – Manages SAWS’ obligations and interests in a Public Private Partnership (P3) contract with Vista Ridge LLC for the annual supply of 50,000 acre-feet of a new, non-Edwards Aquifer source of water for the City. SAWS’ staff monitors activities during the Construction and Operations phase of the contract related to the project. See “THE SAN ANTONIO WATER SYSTEM – Water Transmission and Purchase Agreement for Carrizo and Simsboro Aquifer Water” herein;
- Resource Protection & Compliance – Ensures water quality of all sources are protected; enforces the regulatory requirements established to protect regional water quality; monitors best management practices at construction sites; utilizes an extensive sampling and monitoring network for compliance purposes; and
- Environmental Laboratory Services – Provides analytical services that ensure data integrity, reliability, responsiveness, and accuracy for the monitoring and compliance of water quality. The lab is accredited by the TCEQ under the National Environmental Laboratory Accreditation Program.

Vice President – Communications & External Affairs. The Vice President – Communications & External Affairs is responsible for providing proactive strategic outreach and partnerships to inform and involve System customers and stakeholders, driving the image and success of the organization. This is accomplished through:

- Communications – Manages and directs mass communications efforts through the following departments:
 - Creative Services – Develops the creative content for all internal and external communication efforts including newsletters, brochures, website, and advertisements; and
 - Public Relations – Manages news media relations for accuracy and appropriate messaging in news coverage concerning SAWS. Coordinates community events, manages social media content, and directs advertising to promote awareness of SAWS’ programs, projects, and image.
- External Affairs – Manages outreach efforts with customers, neighborhood and civic leaders, and City Council members. Develops and conducts adult and youth educational programs to inform and promote water awareness in our community; and
 - Conservation – Delivers nationally recognized programs that achieve cost-effective water savings while enhancing quality of life. San Antonio’s cheapest source of water is conservation. To help keep rates affordable, SAWS aggressively promotes efficient commercial and residential water use through education, outreach, incentives, and drought ordinance rules.

THE SYSTEM

The System includes all water resources, properties, facilities, and plants owned, operated, and maintained by the City relating to supply, storage, treatment, transmission, and distribution of treated potable water, and chilled water (collectively, the “Waterworks System”); collection and treatment of wastewater (the “Wastewater System”); and treatment and reuse of wastewater (the “Water Reuse System”). The System does not include any “Special Projects” which are declared by the City, upon the recommendation of the Board, not to be part of the System and are financed with obligations payable from sources other than ad valorem taxes, Pledged Revenues, or Net Revenues or any water or water-related properties and facilities owned by the City as part of the System.

In addition to the water related utilities, which the Board has under its control, on May 13, 1993, the City Council approved Ordinance No. 77949 which established initial responsibilities over the stormwater quality program with the Board and adopted a schedule of rates to be charged for stormwater drainage services and programs. As of the date hereof, the stormwater program is not a part of the System. (See “THE SAN ANTONIO WATER SYSTEM – Stormwater System” herein.)

Since 2006, the System has submitted 21 separate applications to the appropriate regulatory agency to expand its CCN (defined herein) or service areas, for water and sewer service, to the extraterritorial jurisdiction (the “ETJ”) boundary of the City. These applications have added 28,309 acres to the water service area and 276,849 acres to the sewer service area. CCN jurisdiction was originally held by the Public Utility Commission of Texas (the “PUC”), then transferred to the TCEQ and more recently transferred back to the PUC. Consequently, when the appropriate regulatory agency grants a CCN to a water or sewer purveyor, it provides that purveyor with a monopoly for retail service. By expanding the CCN to the ETJ, developments needing retail water and sewer service within the ETJ must apply to SAWS. Service can then be provided according to System standards, avoiding small, undersized systems servicing new development. The expansion of the CCN to the ETJ supports development regulations for the City. Within the ETJ, the City has certain standards for the development that ensure areas developed in the ETJ and when annexed by the City will already have some City development regulations in place.

WATERWORKS SYSTEM

The City acquired its Waterworks System in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. Since such time and until 1992, when the System was created, management and operation of the Waterworks System was under the control of the City Water Board. The System's authority to provide potable water service within a defined area was established by Certificate of Public Convenience and Necessity No. 10640 ("CCN") originally issued by the Public Utility Commission of Texas on November 1, 1979, as amended, and updated with substantial expansion as reflected in its certificate currently on file at the TCEQ. The System's Waterworks System service area currently extends over approximately 934 square miles, making it the largest water purveyor in Bexar County. The System serves approximately 93% of the water utility customers in Bexar County. As of December 31, 2020, the System provided potable water service to over 529,300 customer connections. Potable water service is provided to residential, commercial, multifamily, industrial, and wholesale accounts. The System monitors its Waterworks System on a constant basis to ensure compliance with the Safe Drinking Water Act. (See "ENVIRONMENTAL MATTERS AND REGULATORY MATTERS" herein.)

The Waterworks System currently utilizes 57 elevated storage tanks and 68 ground storage reservoirs, of which 28 act as both, with combined storage capacities of approximately 308 million gallons. As of December 31, 2020, the Waterworks System maintained 7,391 miles of distribution mains, ranging in size from 4 inches to 61 inches in diameter, the majority of which are between 6 inches and 12 inches in diameter.

WASTEWATER SYSTEM

The City Council created the City Wastewater System in 1894. A major sewer system expansion program began in 1960 with bond proceeds for new treatment facilities and an enlargement of the Wastewater System. In 1970, the City became the regional agent of the TCEQ. In 1992, the Wastewater System was consolidated with the City's Waterworks and Recycling Systems to form the System.

The System serves a substantial portion of the residents of the City, 12 governmental entities, and other customers outside the corporate limits of the City. As regional agent, the System has certain prescribed boundaries that currently cover an area of approximately 630 square miles. The System also coordinates with the City for wastewater planning for the City's total planning area, its ETJ, of approximately 1,107 square miles. The population for this planning area is approximately 1.6 million people. As of December 31, 2020, the System provided wastewater services to approximately 473,500 customer connections.

In addition to the treatment facilities owned by SAWS, there are seven other entities who operate sewage and treatment plants within Bexar County.

The Wastewater System is composed of approximately 5,700 miles of mains and three major treatment plants, Steven M. Clouse (formerly Dos Rios), Leon Creek, and Medio Creek. All three plants are conventional activated sludge facilities. The System holds Texas Pollutant Discharge Elimination System (the "TPDES") wastewater discharge permits, issued by the TCEQ for 187 million gallons per day ("MGD") in treatment capacity and 46 MGD in reserve permit capacity. See "ENVIRONMENTAL MATTERS AND REGULATORY MATTERS" herein. The permitted flows from the Wastewater System's three regional treatment plants represent approximately 98% of the municipal discharges within the City's ETJ.

CHILLED WATER SYSTEM

The System owns, operates, and maintains four thermal energy facilities providing chilled water services to governmental and private entities. Two of the facilities, located in the City's downtown area, provide chilled water to 21 customers. They include various City facilities such as the Henry B. Gonzalez Convention Center and the Alamodome, which constitute a large percentage of the System's downtown chilled water annual production requirements. In addition to City facilities, the two central plants also provide chilled water service to a number of major hotels in the downtown area, including the Grand Hyatt, Marriott Riverwalk, and Hilton Palacio Del Rio. The other two thermal energy facilities owned and operated by the System are located at the Port of San Antonio industrial area (formerly Kelly USA) and provide chilled water to large industrial customers that include Standard Aero and Boeing Aerospace. The System's chilled water producing capacity places it as one of the largest producers of chilled water in south Texas. The chilled water system had operating revenues of \$9.9 million in Fiscal Year 2020. SAWS is currently taking steps to evaluate how best to optimize the value of the System.

RECYCLING WATER SYSTEM

The System is permitted to sell Type I (higher quality) recycled water from its Water Recycling Centers located on the City's south side and has been doing so since 2000. The water recycling program can produce up to 35,000 acre-feet per year of recycled water to commercial and industrial businesses in the City. The original system was comprised of two major transmission lines, running east and west. In 2008, these two major transmission lines were interconnected at the northern end, providing additional flexibility to this valuable water resource. In 2013, an additional Water Recycling Center and pipeline was connected to the western line, providing further recycled water system redundancy. Currently, approximately 130 miles of pipeline deliver highly treated effluent to approximately 60 customers. Recycled water is being delivered for industrial processes, cooling towers, and irrigation of golf courses and parks, all of which would otherwise rely on potable-quality water. Aside from supporting the local economy, this water recycling system also releases water into the upper San Antonio River and Salado Creek to sustain base flows. The result has been significant and lasting environmental improvements for the aquatic ecosystems in these streams.

Combined with the 50,000 acre-feet per year used by CPS Energy, this is the largest recycled water system in the United States. The System amended its contract with CPS Energy to provide such recycled water through 2060. The revenues derived from the CPS Contract have been excluded from the calculation of Gross Revenues and are not included in any transfers by SAWS to the City.

STORMWATER SYSTEM

The TPDES is administered by the TCEQ. The System is a co-permittee with the City under TPDES Permit No. WQ0004284000 (the “Stormwater Permit”). The Stormwater Permit was originally issued on September 28, 2007 and amended on April 11, 2011 but expired on September 28, 2012. An application for renewal was submitted to the TCEQ and a Notice of Receipt for permit renewal was issued on June 7, 2012. The co-permittees continue to operate under the terms of the expired permit until its renewal by the TCEQ. The Stormwater Permit identifies the joint and individual requirements of the City and the System. Each of the co-permittees have developed a Stormwater Management Plan outlining their operational responsibilities. See “ENVIRONMENTAL MATTERS AND REGULATORY MATTERS” herein. An agreement between the System and the City for stormwater services has been in place since October 3, 1996.

In September of 1997, the City established a Stormwater Utility by ordinance. The System is contractually obligated to perform certain program requirements as described in the Stormwater Permit. The City has the overall responsibility for the program. The approved annual budget for the System’s share of program responsibilities for Fiscal Year 2021 was approximately \$5.2 million for which the System anticipates being reimbursed in full from the stormwater utility fee imposed by the City.

WATER SUPPLY

In 1996, the City Council initiated the current era of San Antonio water supply planning when it appointed a 34-member citizens committee to develop strategic policies and goals for management of the City’s water resources. The Citizens Committee on Water Policy report, entitled “A Framework for Progress: Recommended Water Policy Strategy for the San Antonio Area,” was unanimously accepted by the City Council and became the foundation of the System’s efforts. On November 5, 1998, the City Council accepted the Water Resources Plan entitled “Securing Our Water Future Together” (the “1998 Plan”) as the first comprehensive, widely supported water resource plan for the City. The 1998 Plan established programs for immediate implementation, as well as a process for developing long-term water resources. In October 2000, the City Council created a permanent funding mechanism (known as the “Water Supply Fee”) for water supply development and water quality protection through Ordinance No. 92753. The Water Supply Fee provides a specific fund for the development of water resources.

The 1998 Plan has subsequently undergone updates approximately every five years, with the most recent update having been approved by the Board in October 2017. The 2017 Water Management Plan outlines a diversified foundation for the City’s water supply. While the Edwards Aquifer will always be the cornerstone of the City’s water supply, the System has already successfully developed several additional groundwater and surface water resources from Canyon Lake, the Trinity Aquifer, the Carrizo Aquifer and the Wilcox Aquifer. The System’s recycled water program provides highly treated wastewater to CPS Energy and other industrial and commercial customers who would otherwise use potable water. The System’s underground Aquifer Storage and Recovery facility allows SAWS to retain excess Edwards Aquifer permitted water supplies during wet years and use in times of drought. In addition, the System is in the process of constructing the Central Water Integration Pipeline in order to receive and effectively distribute the total volume of Vista Ridge water to the SAWS’ distribution system. See “THE SAN ANTONIO WATER SYSTEM – Water Transmission and Purchase Agreement for Carrizo and Simsboro Aquifer Water” herein for a further description of the current status of this project. Over the past 20 years, SAWS has developed one of the most diversified and innovative water supply portfolios in the U.S. In doing so, the System has greatly reduced its reliance on the Edwards Aquifer while enhancing the System’s ability to manage drought and accommodate projected growth.

As of December 31, 2020, the System’s annual unrestricted, permitted contractual water supply includes the following:

<u>Water Source</u>	<u>Acre Feet</u>	<u>Percentage of Total Supply</u>
Edwards Aquifer	271,146 ⁽¹⁾	41%
H ₂ Oaks Center Aquifer Storage and Recovery (underground storage)	173,527	26%
Vista Ridge	50,000	7%
Recycled Water to CPS Energy	50,000	7%
Medina Lake and River System	29,974	5%
Recycled Water to Other Customers	25,000	4%
Trinity Aquifer	21,000	3%
Regional Carrizo Aquifer	12,188	2%
H ₂ Oaks Center Brackish Groundwater Desalination	11,200	2%
Local Carrizo Aquifer	9,900	1%
Western Canyon	8,500	1%
<u>Canyon Regional Water Authority</u>	<u>6,300</u>	<u>1%</u>
Total	668,735	100%

⁽¹⁾ Includes the former SAWS’ District Special Project (or “DSP”, the mechanism by which SAWS assumed the former Bexar Metropolitan Water District, full integration of which occurred on January 1, 2017).

See “THE SAN ANTONIO WATER SYSTEM – Water Transmission and Purchase Agreement for Carrizo and Simsboro Aquifer Water” herein for a description of a significant water resource acquisition.

EDWARDS AQUIFER BACKGROUND

The Edwards Aquifer, the cornerstone of the City’s water supply, lies beneath an area approximately 3,600 square miles in size. Including its recharge zone, it underlies all or part of 13 counties, varying from five to 30 miles in width, and stretching over 175 miles in length, beginning in Brackettville, Kinney County, Texas, in the west and stretching to Kyle, Hays County, Texas, in the east. The Edwards Aquifer receives most of its water from rainfall runoff, rivers, and streams flowing across the 4,400 square miles of drainage basins located above it.

Much of the Edwards Aquifer region consists of agricultural land, but it also includes areas of population ranging from communities with only a few hundred residents to the City and its surrounding metropolis, which serves as a home for over two million residents. In 2020, the Edwards Aquifer directly supplied approximately 67% of the potable water for municipal, domestic, industrial, and commercial needs for the System's service area. Naturally occurring artesian springs, such as the Comal Springs and the San Marcos Springs, are fed by Edwards Aquifer water and are utilized for commercial, municipal, agricultural, and recreational purposes, while at the same time supporting ecological systems containing rare and unique aquatic life.

The Edwards Aquifer is a karst aquifer that recharges from seepage of water from streams and by precipitation infiltrating directly into the cavernous limestone outcroppings in its north and northwestern area. Practically continuous recharge is furnished by spring fed streams, with storm water runoff adding additional recharge. The historical annual average recharge, from 1934 to the present, to the aquifer is approximately 708,600 acre-feet. The average annual recharge over the last four decadal period is approximately 897,900 acre-feet. The lowest recorded recharge was approximately 43,000 acre-feet in 1956, while the highest was approximately 2,485,000 acre-feet in 1992.

EDWARDS AQUIFER REGULATION

In 1993, the Texas Legislature adopted the Edwards Aquifer Authority Act (the "EAA Act"). This act created the Edwards Aquifer Authority ("EAA") as a conservation and reclamation district under Article XVI, Section 59, of the Texas Constitution. The EAA is governed by a 17 member Board of Directors, with 15 voting directors elected from single member districts apportioned to counties within the EAA's jurisdiction, and two non-voting directors appointed to reflect downstream and western regional interests, all pursuant to and in accordance with the EAA Act. The EAA has broad powers to manage, conserve, preserve, and protect the Edwards Aquifer and to increase the recharge of, and prevent the waste or pollution of water in, the Edwards Aquifer. Among other charges, the EAA was directed to limit groundwater withdrawals from the Edwards Aquifer through a permitting system. The EAA was also directed by the Texas Legislature to ensure that, not later than December 31, 2012, the continuous minimum springflows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species to the extent required by federal law and to achieve other purposes of the EAA Act. To date, the EAA's exercise of power has been primarily limited to managing Edwards Aquifer withdrawals, although the EAA has initiated efforts in recent years to regulate water quality (as evidenced by its adoption of rules concerning water quality).

As a consequence of the EAA's permitting regime, the System's access to Edwards Aquifer supplies is now limited to its highest, pre-1996 annual historic use plus any additional permitted withdrawal rights that the System can acquire by lease or purchase. As of December 31, 2020, through permitting, purchases, and leases, the System has access to 271,146 acre-feet per year of Edwards Aquifer groundwater withdrawal rights, which is approximately 47% of the regional pumping cap. See "THE SAN ANTONIO WATER SYSTEM – Edwards Aquifer Recovery Implementation Program and the Edwards Aquifer Habitat Conservation Plan" herein. The System owns approximately 256,586 acre-feet, of which a portion is committed to the EAA Regional Water Conservation Program and contractual lease agreements, the remainder is leased from permit holders. All Edwards Aquifer permitted withdrawal rights are subject to on-going regulation by the EAA, with more stringent use limitations applied during periods of drought.

EDWARDS AQUIFER MANAGEMENT; CITY'S EDWARDS AQUIFER MANAGEMENT PLAN

Edwards Aquifer Authority. Pursuant to applicable Texas law, including the EAA Act and legislation enrolled subsequent thereto serving to supplement and/or amend this legislation, the EAA has adopted rules that require a reduction in the amount of permitted Edwards Aquifer water rights that may be pumped annually for the duration of a drought event. During a period of drought management, water rights are impacted on a pro rata basis based on the number of days of a calendar year that there exists a particular category of drought (depending on severity) requiring a reduction in pumping. Reductions of permitted rights to withdraw water are generally applied to all permit holders, although there do exist some limited exceptions applicable to agricultural users. The various stages of reduction in permitted water rights are declared by the EAA General Manager in accordance with rules adopted by the EAA Board of Directors and impact the System's access to its permitted Edwards Aquifer water rights, without input or action by the City or the System. The EAA's drought triggers and requisite reduction in pumping for the San Antonio and Uvalde Pools of the Edwards Aquifer are indicated in the following tables. The entirety of the System's Edwards Aquifer water rights is subject to the restrictions associated with the San Antonio Pool.

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SAN ANTONIO POOL				
Comal Springs Flow ⁽¹⁾	San Marcos Springs Flow ⁽¹⁾	Index Well J-17 Level ⁽²⁾	Critical Period Stage ⁽³⁾	Withdrawal Reduction (%)
< 225	< 96	< 660	I	20
< 200	< 80	< 650	II	30
< 150	N/A	< 640	III	35
< 100	N/A	< 630	IV	40
< 45/40 ⁽⁴⁾	N/A	< 625	V ⁽⁴⁾	44
UVALDE POOL				
Comal Springs Flow ⁽¹⁾	San Marcos Springs Flow ⁽¹⁾	Index Well J-27 Level ⁽²⁾	Critical Period Stage ⁽³⁾	Withdrawal Reduction (%)
N/A	N/A	N/A	I	N/A
N/A	N/A	< 850	II	5
N/A	N/A	< 845	III	20
N/A	N/A	< 842	IV	35
N/A	N/A	< 840	V ⁽⁴⁾	44

⁽¹⁾ Measured in cubic feet per second.

⁽²⁾ Measured in mean sea level.

⁽³⁾ A change to a critical period stage with higher withdrawal reduction percentages, including initially into Stage I for the San Antonio Pool and Stage II for the Uvalde Pool, is triggered if the 10-day average of daily springflows at the Comal Springs or the San Marcos Springs or the 10-day average of daily Edwards Aquifer levels at the J-17 or J-27 Index Wells, as applicable, drop below the lowest number of any of the trigger levels for that stage. A change from any critical period stage to a critical period stage with a lower withdrawal reduction percentage, including existing from Stage I for the San Antonio Pool and Stage II for the Uvalde Pool, is triggered only when the 10-day average of daily springflows at the Comal Springs and the San Marcos Springs and the 10-day average of daily Edwards Aquifer levels at the J-17 or J-27 Index Wells, as applicable, are all above the same stage trigger level.

⁽⁴⁾ In order to enter into Critical Period Stage V, the applicable springflow trigger is either less than 45 cubic feet per second based on a ten-day rolling average or less than 40 cubic feet per second based on a three-day rolling average. Expiration of Critical Period Stage V is based on a ten-day rolling average of 45 cubic feet per second or greater.

Due to varying weather patterns, the EAA has, from time to time, imposed various Critical Period Stage withdrawal reduction notices. For any current drought restrictions, as well as additional information on the various levels of drought restrictions imposed by the EAA and current level of the Edwards Aquifer, see www.edwardsaquifer.org.

City's Edwards Aquifer Management Plan. In addition, and separate and apart from the EAA's rules governing withdrawal of Edwards Aquifer water during drought, the City has established a proactive Aquifer Management Plan to manage the region's water resources during periods of drought. Established by City ordinance, the Aquifer Management Plan also restricts outdoor water use based on specific levels of the Edwards Aquifer. The City approved the following Edwards Aquifer level triggers in 2009 and updated certain revisions to the water use restrictions in 2014.

Year Round – Year round restrictions are in effect when the Edwards Aquifer level is above 660 feet mean sea level at the monitored well (J-17 Index Well). During year round watering restrictions, SAWS' customers are permitted to water landscape with an irrigation system or sprinkler any day of the week before 11 a.m. or after 7 p.m. Hand watering with a hand-held hose, drip irrigation, soaker hose or bucket is permitted any time of day.

Stage One – Stage One restrictions begin when the 10-day rolling average of the Edwards Aquifer level drops to 660 feet mean sea level at the monitored well (J-17 Index Well). SAWS' customers are limited to one-day-per week landscape watering with an irrigation system or sprinkler based on the last number of the customer's street address and are only allowed to water before 11 a.m. or after 7 p.m. Watering with a hand-held hose, drip irrigation, bucket, or watering can is permitted at any time and any day.

Stage Two – Stage Two restrictions begin when the 10-day rolling average of the Edwards Aquifer level drops to 650 feet mean sea level at the monitored well (J-17 Index Well). SAWS' customers are limited to one-day-per week landscape watering with an irrigation system or sprinkler based on the last number of the customer's street address and are only allowed to water from 7 a.m. to 11 a.m. and 7 p.m. to 11 p.m. Watering with a hand-held hose is allowed any time on any day.

Stage Three – Stage Three restrictions may begin when the 10-day rolling average of the Edwards Aquifer level drops to 640 feet mean sea level at the monitored well (J-17 Index Well) and the total supply of water to SAWS from the Edwards Aquifer and other available sources is insufficient to meet customer demand while complying with applicable regulations governing water supply withdrawals. SAWS' customers are limited to landscape watering with an irrigation system or sprinkler once every other week based on the last number of the customer's street address and are only allowed to water from 7 a.m. to 11 a.m. and from 7 p.m. to 11 p.m. on their assigned day. Watering with a hand-held hose is allowed any time on any day.

Stage Four – Stage Four restrictions may be declared if the total supply of water from the Edwards Aquifer and other available water sources to SAWS is insufficient to meet customer demand while complying with applicable regulations governing water supply withdrawals. Stage Four restrictions may be declared at the discretion of the City Manager upon completion of a 30-day monitoring period following Stage Three declaration. SAWS' customers are limited to landscape watering with an irrigation system or sprinkler once every other week based on the last number of the customer's street address and are only allowed to water from 7 a.m. to 11 a.m. and from 7 p.m. to 11 p.m. on their assigned day. During Stage Four, a drought surcharge is assessed on all accounts for water used or assumed to be used for landscape irrigation. The surcharge is the highest volumetric rate assessed by SAWS and is assessed on any residential and irrigation account with monthly water usage exceeding 12,717 and 5,236 gallons, respectively. The surcharge rate is assessed in addition to the regular water and wastewater rates. Watering with a hand-held hose is allowed any time on any day.

EDWARDS AQUIFER RECOVERY IMPLEMENTATION PROGRAM AND THE EDWARDS AQUIFER HABITAT CONSERVATION PLAN

In 2007, the Texas Legislature adopted legislation commonly known as Senate Bill 3 (“SB 3”) to address various water-related environmental issues confronting the State. Among other provisions, the legislation established a new, higher pumping cap of 572,000 acre-feet for the Edwards Aquifer, thus making more water available for pumping when Edwards Aquifer levels are high. However, it also incorporated into State statute certain existing regulatory restrictions on water availability during periods of drought. When Edwards Aquifer levels at certain gauges and springflows at Comal Springs and San Marcos Springs fall to identified trigger points, pumping allocations are reduced by the EAA by 20% to 44% depending on the severity of the drought. In February 2009, the City’s Code of Ordinances was updated to ensure that restrictions on water usage by City residents are permitted to commence in close proximity to the occurrence of these restrictions on pumping by SAWS and other water purveyors in the City. (See “THE SAN ANTONIO WATER SYSTEM – Edwards Aquifer Management; City’s Edwards Aquifer Management Plan”). The EAA made changes to these restrictions in 2012 as part of the Edwards Aquifer Habitat Conservation Plan (the “HCP”).

SB 3 also directed the EAA to develop a Recovery Implementation Program for federally listed threatened or endangered species associated with the Edwards Aquifer. The legislation called for the program to be developed through a facilitated, consensus-based process that involved input from the United States Fish and Wildlife Service (the “USFWS”), other appropriate federal agencies, and all interested stakeholders. The EAA and certain State agencies were specifically charged to develop and execute a program document that may be in the form of an HCP used in issuance of an Incidental Take Permit (“ITP”).

In response to this directive, the EAA and various regional stakeholders initiated the Edwards Aquifer Recovery Implementation Program (“EARIP”) in 2007. On November 7, 2011, the EARIP steering committee and stakeholders endorsed the final draft of the HCP, an Implementing Agreement, and a Funding and Management Agreement by a vote of 24-1 (with one abstention) all of which were recommended to the Board of Directors of the EAA. The stakeholders and the members of the Steering Committee reached broad consensus on the fundamental elements and associated details of a multi-year adaptive management plan which formed the foundation of the HCP in support of the desired ITP with a term of 15 years. The stakeholders also reached consensus on the level of springflow to be achieved by Phase One of the management plan. Studies and action undertaken during Phase One will determine whether different levels of springflow need to be pursued in Phase Two.

The City, acting by and through SAWS, along with the EAA, the City of New Braunfels, the City of San Marcos, and Texas State University – San Marcos, filed an application for an ITP to protect future groundwater withdrawals from the Edwards Aquifer and other activities affecting listed threatened or endangered species associated with the Edwards Aquifer. On March 18, 2013, the USFWS approved the submitted HCP and issued ITP No. TE63663A-0.

These five entities are individually, and in certain cases collectively, responsible for implementing the conservation measures, as well as the minimization and mitigation measures, defined in the HCP. With the addition of the Guadalupe-Blanco River Authority (“GBRA”) as a non-voting observer, these five partners comprise the HCP Implementing Committee. The HCP Implementing Committee is responsible for supervising all aspects of the implementation of the HCP, including routine decisions and strategic policy matters. The HCP Implementing Committee operates under a requirement of 100% consensus agreement. The System is active and engaged in the HCP Implementing Committee.

The Steering Committee of the EARIP has transitioned into the role of a Stakeholder Committee. The Stakeholder Committee will consult with and advise the program manager and HCP Implementing Committee. The System is represented on and engages with the Stakeholder Committee.

The Phase One activities associated with ensuring minimum continuous springflows included a Voluntary Irrigation Suspension Program Option (“VISPO”), a Regional Conservation Program, prescribed use of the Aquifer Storage and Recovery (“ASR”) Facility, and an EAA Critical Period Stage V Drought Management stage as a back-up to the other activities. The ASR commitment anticipates that the EAA will lease and deliver to SAWS up to 50,000 acre-feet of Edwards Aquifer groundwater withdrawal rights for pumping and storage in the ASR Facility during periods of water availability. SAWS will then be required at certain drought trigger levels over a 10-year period similar in hydrologic character to the drought of record to forgo pumping from the Edwards Aquifer in like amounts to what was previously stored on behalf of the HCP (up to 46,300 acre-feet of water in the driest year). SAWS may use the ASR, or other supplies of water, to accomplish this forbearance at its discretion. EAA Critical Period Stage V pumping restrictions could reduce firm yield of Edwards Aquifer permits to 56% of the face permit amount if the San Antonio Pool of the Edwards Aquifer reaches one of the Stage V trigger levels. The 2017 Water Management Plan accounted for and addressed these changes.

In addition to the springflow management activities, the proposed management plan requires mitigation and habitat restoration activities at the Comal and San Marcos Springs. These activities include recreation management, additional biological research, modeling enhancement, expansion of refugia facilities, and control of non-native species. Ongoing effort in all of these activities are showing positive benefits to the endangered species as documented in the HCP annual reports.

The HCP entered a significant new chapter with the approval of the Phase Two work plan in May 2019. The Stakeholder and Implementing Committees, through strategic adaptive management, agreed to the course of actions through 2028. Considering all information through Phase One and the comprehensive assessment done by the National Academies of Sciences, the decision was a continuation of Phase One measures (with minor changes outlined in the Phase Two work plan) to be implemented to satisfy the term of the permit through 2028. Generally, the cost would remain the same, as conservation measures were optimized based on real world experience and research opportunities prioritized. The region can now focus on future collaborative longer-term agreement protections for endangered species and aquifer users alike. For more information on the EAHCP, see www.edwardsaquifer.org/habitat-conservation-plan/.

In 2011, the EARIP determined that the imposition of fees on pumpers of Edwards Aquifer groundwater was the best available way to fund the activities of the HCP. Due to the legislative cap on agricultural pumping fees, the burden of EARIP’s program costs fell upon municipal and industrial pumpers. The EAA approved an annual special program fee of \$50/acre-foot to support the HCP (in addition to the standard EAA management fee), which became effective April 2, 2012. The total EAA annual fee has been \$84/acre-foot since 2015. The EAA anticipates maintaining total management fees of \$84/acre-foot for the near-term but may adjust the balance between the special program fee (HCP) and the

standard EAA management fee (operations). In 2019, the Texas Legislature passed HB 2729 which enables the EAA to increase Aquifer Management Fees up to, but not to exceed, eight percent annually.

In 2013, the HCP was nominated for and awarded the prestigious Secretary of the Interior's Partners in Conservation Award, a national award presented annually to the nation's premier conservation programs. The Partners in Conservation Awards recognize outstanding examples of conservation achievements that highlight cooperation among diverse federal, state, and local governments; public and private entities; non-profit organizations; and individuals. The Award was presented by the Secretary of the Interior to the HCP participants, including the System, in January 2014 in Washington, D.C. In 2016, the City of San Marcos and Texas State University were recognized for ecological restoration of the San Marcos River shorelines, funded by the HCP, with the TCEQ's Texas Environmental Excellence Award.

WATER PRODUCTION

The table below provides a summary of the annual potable water production by source for distribution to System customers, followed by descriptions of the various water sources.

Total Distribution to Customers by Year (in acre-feet)	2016	2017	2018	2019	2020
Edwards Aquifer	194,708	194,858	192,748	191,941	171,955
Vista Ridge	-	-	-	-	26,392
Aquifer Storage and Recovery Production	2,139	1,187	4,460	3,930	12,184
Trinity Aquifer	17,652	12,803	9,047	17,141	6,601
Medina Lake and River System	-	-	-	-	-
Regional Carrizo Aquifer	10,014	13,188	10,780	11,404	11,347
Brackish Groundwater Desalination	911	5,596	4,851	4,593	6,706
Local Carrizo Aquifer	-	1,982	7,348	6,504	6,149
Western Canyon	8,980	8,849	8,467	8,038	8,072
Canyon Regional Water Authority	1,461	2,468	3,712	7,793	6,288
Total Distribution	235,864	240,731	241,412	246,344	255,694

H₂OAKS CENTER

SAWS' H₂Oaks Center located in far south Bexar County is home to three water supplies, all operated from the H₂Oaks control room. These include the Aquifer Storage & Recovery, Local Carrizo Aquifer Project, and Brackish Groundwater Desalination Program.

AQUIFER STORAGE AND RECOVERY

An ASR project involves injecting ground or surface water into an aquifer, storing it and later retrieving it for use. Essentially, it accomplishes storage that is traditionally provided through surface water reservoirs without the concern of evaporation. The ASR is primarily designed to optimize use of water from the Edwards Aquifer; the optimization takes place when aquifer levels are high and the System is able to store excess Edwards Aquifer water rights to help offset demand on the Edwards Aquifer when those levels reach critical period reduction stages. During those critical period reduction stages the System may deliver stored Edwards Aquifer water from ASR to its customers. The reduced demand helps slow the downward trend of declining levels until rain events return to recharge the Edwards Aquifer.

In 2006, the ASR became an integral component of the System's drought management strategy, and in the 2009 Water Management Plan, the role of the ASR was expanded to use the facility as a longer-term storage reserve and to expand the ASR storage capability to serve as a long-term strategy to optimize available water resources. The System plans for a total storage volume of 200,000 acre-feet, including the amounts stored under the EAHCP. Also, as described under "THE SAN ANTONIO WATER SYSTEM - Edwards Aquifer Recovery Implementation Program and the Edwards Aquifer Habitat Conservation Plan" herein, the ASR is an integral component of the HCP.

The System has stored and recovered Edwards Aquifer water from the ASR based on annual weather patterns. The chart on the following page provides a summary of the acre-feet of Edwards Aquifer water stored and recovered each year since 2004 when the ASR became operational, as well as the amount of Edwards Aquifer water stored on behalf of the HCP. A total volume of up to 126,000 acre-feet is committed to the successful implementation of the HCP.

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Year	SAWS' ASR Recharge	EAHCP Recharge	ASR Recovery	Total ASR Storage
2004	5,527		461	5,066
2005	13,491		937	17,620
2006	9,056		6,391	20,285
2007	20,200		432	40,053
2008	10,849		1,250	49,652
2009	17,007		1,448	65,211
2010	25,532		1,706	89,037
2011	12,054		13,223	87,869
2012	11,485		4,436	94,917
2013	6,201	1,868	14,711	88,275
2014	783	4,031	19,562	73,527
2015	9,135	12,075	5,840	88,897
2016	987	33,259	2,139	121,004
2017	2,889	31,475	1,418*	153,949
2018	3,058	16,667	4,460	169,214
2019	0	13,597	3,930	178,880
2020	0	6,831	12,184	173,527
2021**	0	0	4,054	169,473

* Includes operational authorized water use not put in distribution.

** As of March 31, 2021.

LOCAL CARRIZO AQUIFER PROJECT

The System has access to a total of 9,900 acre-feet per year of Carrizo Aquifer groundwater on property owned by SAWS at the H₂Oaks Center. The production of water from the Local Carrizo Aquifer will reduce the effects of the naturally occurring movement of ASR water stored nearby and provides increased operational flexibility of recovering ASR water.

Timing of additional phases of this project will be based upon population and System demand projections. These additional phases are projected to provide an additional 21,000 acre-feet per year of Carrizo Aquifer groundwater from SAWS owned properties proximal to the H₂Oaks facility and can be designed and constructed quickly relative to other supplies while tying easily into existing infrastructure.

BRACKISH GROUNDWATER DESALINATION PROGRAM

The brackish groundwater desalination ("BGD") program involves the production of brackish (salty) groundwater from the Lower Wilcox Aquifer in southern Bexar County, and reverse osmosis treatment to drinking water standards at the System's H₂Oaks Center. A BGD program is well suited for the south central Texas region, which contains more than 300 million acre-feet of brackish groundwater.

After a period of testing the BGD Plant became fully operational in November 2016 and was commissioned and named "H₂Oaks Center" in January 2017. Full operational capacity is currently 11,200 acre-feet per year of drought-proof desalinated groundwater. Future phases can bring the total supply from this project to 33,600 acre-feet per year. Development of additional phases of the project will be determined based on population and demand projections of the System. The System's 2017 Water Management Plan determined additional phases may not be required for decades dependent upon the ultimate quantity of water received under the hereinafter-defined Water Transmission and Purchase Agreement for Carrizo and Simsboro Aquifer Water and the success of the System's conservation initiatives (see "THE SAN ANTONIO WATER SYSTEM – Conservation" herein).

TRINITY AQUIFER PROJECTS

The System reached a milestone in February 2002 with the introduction of the first non-Edwards Aquifer drinking water supply from the Lower Glen Rose/Cow Creek formation of the Trinity Aquifer in northern Bexar County. The System has wholesale contracts with Massah Corporation ("Oliver Ranch"), and the System owned and controlled Timberwood Park wellfield for the System for purchase and delivery of up to 3,000 acre feet per year of non-Edwards Aquifer groundwater from the Trinity Aquifer from north-central Bexar County.

In July 2012, SAWS entered into an agreement with Water Exploration Company, Ltd. ("WECO") to purchase groundwater produced by WECO from the Trinity Aquifer. The agreement expires in 2027, with two optional five year extensions. Currently, SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet. SAWS is only required to pay for water made available which meets all State and federal drinking water standards. The actual amount of water produced will depend on the level of the Trinity Aquifer.

WESTERN CANYON PROJECT

The System, along with entities in Comal and Kendall Counties (together, the “Participants”), contracted with the GBRA to deliver water from the Canyon Lake Reservoir. The System has been receiving project water since April of 2006 with the System receiving all water produced by the project that is not used by other Participants. Over time, the amount received could decline to a guaranteed amount of 4,000 acre-feet as GBRA’s in-district Participants in the project complete infrastructure necessary to enable them to obtain their contracted supply and their growth allows the Participants to utilize their full allotment of reserved water. Pursuant to its terms, the contract with GBRA will terminate December 31, 2037, with an option to extend if agreed upon by both parties.

REGIONAL CARRIZO PROGRAM

The System has been receiving Carrizo Aquifer water from an agreement with the Schertz/Seguin Local Government Corporation (the “SSLGC”) since late 2013 and producing water from the System’s Buckhorn wellfield located in western Gonzales County since 2014.

Since 2010, the System has held a single permit with the Gonzales County Underground Water Conservation District (the “District”) to produce and export 11,688 acre-feet per year of groundwater from the Carrizo Aquifer. The District is a local governmental entity with a locally elected Board of Directors (the “District Directors”) and operates pursuant to statutory authority set forth in Chapter 36, Texas Water Code, as amended and the rules adopted by the District Directors. The operating component of the permit had a five-year term, with an expiration date of July 12, 2015. The transportation component of the permit had a term of thirty years as was required by State statute. The System filed a timely request for renewal of the permit in accordance with the District’s rules. The District’s General Manager determined that the Regional Carrizo Program was in substantial compliance with the District’s rules, thereby entitling the System to renewal of the permit by the District Directors under the District’s existing rules.

On July 14, 2015, the District Directors tabled scheduled action to renew the permit. Pursuant to the existing District rules and the terms of the permit, the permit remained effective until the District Directors acted on the renewal request. Over the course of the following three months, the District adopted new rules but took no action on the System’s request for renewal of the permit. New rules adopted by the District on October 10, 2015, provide as follows: “An operating permit subject to renewal shall be administratively renewed for a period of five years in accordance with the rules in effect at the time of renewal.” The rules no longer provide that a permit such as the System’s will remain valid until action by the District Directors on a renewal request.

The Texas Water Code provided, at the time of SAWS’ application, that an application such as the System’s uncontested request for permit renewal shall be acted on by a groundwater district’s board of directors at a publicly called and posted meeting, unless the board by rule has delegated to the general manager of the district the authority to act on the application. The District Directors have not acted on the System’s application and have not delegated authority to the District’s General Manager to act on the application. Nonetheless, the System subsequently received two permits from the District. One permit is titled “Production Permit” and the other permit is titled “Export Permit”. Both permits were signed by the President of the District on November 10, 2015. The term of the Production Permit is five years. The term of the Export Permit is 30 years subject to periodic review by the District Directors. The Production Permit includes the following notation: “Auto Permit Granted: July 13, 2015.” The Export Permit includes the following notation: “Auto Permit Granted: July 13, 2010.”

In order to minimize the cost of transporting the water, SAWS negotiated a contract with the cities of Schertz and Seguin and the SSLGC for shared use of that entity’s existing infrastructure in Gonzales County and Guadalupe County, located in the vicinity of the System’s project well field. The SSLGC is a statutory quasi-governmental corporation created by the cities of Schertz and Seguin to develop and operate a ground water supply for those municipalities. It also provides services to certain other small municipalities in the area.

Negotiations concluded in December 2010 and were formalized by the Board, the Board of Directors of the SSLGC, and the City Councils of Schertz and Seguin on February 1, 2011 when they entered into the Mutual Regional Water Supply Contract, as amended January 1, 2017 (collectively, the “MRWS Contract”). On July 19, 2012, the SSLGC initially delivered its \$25,425,000 Contract Revenue Bonds, Series 2012 (San Antonio Water System Expansion Water Treatment Project 2) (the “Series 2012 Bonds”), the repayment of which is secured by the payments to be made by SAWS to the SSLGC under the aforementioned MRWS Contract. As a result of the issuance of these contract revenue bonds, the obligation of the System to make payments to SSLGC under the MRWS Contract, as Maintenance and Operating Expenses of the System, is unconditional. In addition to funding the expansion of the treatment facilities, the System will pay the SSLGC for water treatment and transportation services relative to the 11,688 acre-feet per year of water expected to be produced by SAWS from the Carrizo Aquifer. The System may also purchase surplus water produced by SSLGC at the same rate charged to the cities of Schertz and Seguin. Utilizing SSLGC’s pipeline reduced the capital investment by SAWS necessary to complete this water supply project by approximately \$88 million.

CANYON REGIONAL WATER AUTHORITY; LAKE DUNLAP AND WELLS RANCH

The Canyon Regional Water Authority (“CRWA”) is a public entity created by the Texas Legislature to develop non-Edwards Aquifer water supplies for its members. The CRWA has a contract with GBRA for the purchase of raw water from Canyon Lake and has constructed a treatment plant for the water downstream on Lake Dunlap. Under various agreements with CRWA and other parties, SAWS may purchase up to 4,000 acre-feet annually of Lake Dunlap surface water through 2023, of which, 500 acre-feet is sub-leased to Springs Hill Water Supply Corporation through 2023. Effective 2024, CRWA will provide 4,000 acre-feet of groundwater to replace the 4,000 acre-feet of surface water produced from Lake Dunlap.

Under a separate agreement, CRWA provides SAWS 2,800 acre-feet annually of groundwater from the Carrizo-Wilcox Aquifer in Gonzales and Guadalupe Counties, known as the Wells Ranch Project. The agreement between SAWS and CRWA for the purchase of water from the Wells Ranch Project expires in 2047 but includes an extension option.

SAWS has an unconditional obligation to pay debt service on various bonds issued by CRWA for improvements to the Lake Dunlap, Mid-Cities, and the Wells Ranch Projects that benefit the production of water for SAWS. The obligation to pay the debt service to CRWA is a Maintenance and Operating expense of SAWS.

WATER TRANSMISSION AND PURCHASE AGREEMENT FOR CARRIZO AND SIMSBORO AQUIFER WATER

In an effort to achieve significant diversification of the City's water supply, the Board, on January 14, 2011, solicited requests for competitive sealed proposals for the provision and delivery of alternative water supplies for the purpose of meeting the System's water supply needs (the "Solicitation"). In response to the Solicitation, the Board received nine responses, from which three finalists were eventually selected and reviewed prior to determining that a joint-venture proposal (such proposer, Abengoa Vista Ridge, LLC, hereafter referred to as "Abengoa VR") to deliver Carrizo and Simsboro aquifer water presented the most advantageous possibility for the City to obtain an alternative water source. On July 1, 2014, the Board formally selected the water supply proposal of Abengoa VR as the most advantageous to the System, subject to negotiation of an acceptable contract and City Council support.

On September 29, 2014 and October 15, 2014 the Board adopted resolutions, and on October 30, 2014 the City Council unanimously adopted an ordinance, approving the execution of a Water Transmission and Purchase Agreement (the "Agreement") between the City, acting by and through SAWS, and Abengoa VR, pursuant to which Abengoa VR committed to make available to SAWS, and SAWS agreed to pay for, up to 50,000 acre-feet of potable water ("Project Water") per year for an initial period of 30 years plus a limited (20 year) extension period under certain events (hereinafter referred to as the "operational" phase). To produce and deliver the Project Water, Abengoa VR planned to develop well fields to withdraw water from the Carrizo and Simsboro aquifers in Burleson County, Texas pursuant to currently-held long-term leases with landowners and construct (or cause to be constructed) a 142-mile pipeline from this well field to northern Bexar County (the well fields, pumping and treatment facilities and the pipeline, together, the "Project"). The pipeline will ultimately be connected to SAWS' distribution system at this delivery point in northern Bexar County (the "Connection Point").

On November 19, 2015, the City Council approved a series of increases to the Water Supply Fee to finance the acquisition of new water supplies, including the Project. SAWS implemented five increases, with the fifth and final increase taking effect in January 2020.

The Agreement is separated into three distinct phases. The "development" phase commenced on November 4, 2014, which was the date of complete execution and delivery of the Agreement. The "development" phase concluded on November 2, 2016 upon satisfaction of certain contractual requirements, referred to as "financial closure", and conclusion of which commenced the "construction" phase of the Project. During the "construction" phase of the Project, SAWS also constructed improvements to the System necessary to accept and integrate the Project Water at a cost of approximately \$220 million. The "construction" phase of the project was completed on April 15, 2020 (when the aforementioned 30-year "operational" phase commenced, also known as the "Commercial Operation Date"), during which period SAWS is obligated to pay for Project Water (up to 50,000 acre-feet annually) made available to it by Vista Ridge LLC at the Connection Point. At the end of the "operational" phase, ownership of the Project will be transferred to SAWS at no cost. SAWS has also entered into a separate agreement with Blue Water Vista Ridge, LLC, the lessee of the Project Water, to continue to acquire the 50,000 acre-feet of untreated groundwater, for an additional 30-year period upon the termination of the Agreement and transfer of the Project to SAWS. Blue Water Vista Ridge, LLC has received production and transportation permits for the Project Water from the Post Oak Savannah Groundwater Conservation District ("POSGCD"). The cost of such water at the end of the Agreement will be tied to the costs of then-prevailing two-year Edwards Aquifer water leases. Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as Maintenance and Operating Expenses of the System, only for Project Water made available at the Connection Point (which payment will include the costs of operating and maintaining the Project). SAWS will have no obligation to pay for any debt issued by Vista Ridge LLC, and any such debt will be non-recourse to SAWS.

On May 17, 2016, SAWS exercised its contractual right to fix the capital and "Raw Groundwater Unit Price" under the Agreement based on the methodology provided for therein. The cost of the Project Water component under this agreement has been established at \$1,606 per acre foot, which will remain capped for the entire 30 year term (and any extension of that term) of the Agreement. SAWS is also responsible for paying the Project operations and maintenance (as a direct pass through under the Agreement) and Project electricity. The initial total delivered costs for this water is approximately \$2,100 per acre foot.

In early 2018, Ridgewood Infrastructure, as lead agent for Vista Ridge LLC, began the process to select an operating service provider for the Project. Vista Ridge LLC ultimately selected EPCOR Services, Inc. ("EPCOR"), a wholly owned subsidiary of EPCOR USA, Inc., an entity ultimately owned by the Canadian City of Edmonton. On November 13, 2018, the SAWS' Board approved the selection of EPCOR as operating service provider and the form of operating service agreement. The approved form of operating service agreement provides for a primary 30-year term contemporaneous with the term of the Agreement. The execution of the operating service agreement, along with a purchase by EPCOR of a 5% equity interest in Vista Ridge LLC (from the equity interest of Ridgewood Infrastructure in Vista Ridge LLC) occurred on November 21, 2018. The equity interest of Vista Ridge LLC is currently owned or controlled by the following: Ridgewood Infrastructure with 75%, Abengoa VR with 20%, and EPCOR with 5%.

At the initial start-up of the integration of the water into SAWS' distribution System, SAWS did not take delivery of all of the water that Vista Ridge LLC was able to make available on a daily basis. Per the terms of the Agreement, SAWS paid for such water that was made available but that was not integrated into SAWS' distribution system. The volumetric amount of such water paid for but not received is accounted for, and pursuant to the terms of the Agreement will be provided to SAWS at a future date at no additional cost. The dollar amount of such "prepaid" water purchases is recorded as a prepaid asset of the System. Between April 15, 2020, and approximately March 31, 2021, SAWS has paid for approximately 7,825 acre-feet of water that it was unable to receive. As such, SAWS has recorded a prepaid asset totaling approximately \$2.9 million. Given the priority of water deliveries and payments, it is currently estimated it will take approximately four years to fully amortize this prepaid water amount.

During the 2021 Event, the Project was shut down from February 15-23, 2021, as a result of power outages and freezing weather, resulting in approximately 1,080 acre-feet of water that was unable to be delivered to SAWS. As expressly provided in the Agreement, SAWS did not pay for

water that was not made available. Vista Ridge LLC has the opportunity to make up delivery of the undelivered units and SAWS will pay for the water when those volumes are actually made available at the times permitted in the Agreement. In response to the 2021 Event, EPCOR has added heat tape to smaller gauges to prevent freezing during future events and has wrap insulation readily available to wrap all meters if needed.

The Vista Ridge pipeline route parallels the I-35 corridor, one of the highest growth regions in the country. Communities throughout the region have increasing water needs to sustain both growing populations and flourishing economies. While no immediate plans are in place, the Project may give the System the opportunity to wholesale up to 15,000 acre-feet per year from the Vista Ridge pipeline (or its other existing water supply projects), developing regional partnerships, providing communities a diversified water supply, and potentially reducing costs to System ratepayers.

The execution and implementation of the Agreement represents a significant diversification of the City's water source, as SAWS projects that Project Water, if delivered at the maximum amount (which is the expectation of both SAWS and Vista Ridge LLC), will account for approximately 20% of the System's current annual usage.

MEDINA LAKE AND RIVER SYSTEM

The Medina Lake and River System consists of a 950 square mile drainage area upstream of the confluence of Medio Creek, Potranco Creek, and the Medina River. The surface runoff from about two-thirds of the Medina Valley is upstream of Medina Lake. SAWS owns and leases approximately 10,000 acre-feet per year of municipal surface water rights in the Medina Lake and River System. These "run-of-river" rights have minimum downstream flow restrictions that prohibit diversions when streamflow gets below 20 cubic feet per second ("cfs").

The Bexar-Medina-Atascosa Counties Water Control and Improvement District No. 1 ("BMA") is authorized to impound up to 254,000 acre-feet of water in Medina Lake and annually divert approximately 66,000 acre-feet per year (19,974 acre-feet per year for municipal and industrial purposes and 46,000 acre-feet per year for agricultural irrigation). The most current agreement between the former BexarMet and BMA for the lease of approximately 19,974 acre-feet per year of municipal/industrial water was executed in 2007 and runs through 2049. SAWS assumed this agreement in January of 2012, together with other assets and liabilities of BexarMet, pursuant to the passage of SB 341 by the 82nd Texas Legislature in 2011. This volume is in addition to the above described run-of-river rights. Under the Water Supply Agreement, SAWS is required to use the water purchased for municipal purposes within its service areas or, upon prior approval of BMA, may resell to third parties outside of its service areas for any lawful purpose. Third party sales of water diverted by SAWS outside of the San Antonio River Basin require the approval of the TCEQ. This surface water right has no minimum downstream flow restrictions.

Water from the Medina River can be diverted to a surface water treatment plant (the "Plant") located southwest of the City. The Plant is located on a 39-acre site approximately one and one quarter mile from the Medina River. The Plant is capable of treating 15.0 MGD expandable in modular form to an ultimate treatment capacity of 27.0 MGD.

During the height of the 2011-2014 drought, Medina Lake's capacity was greatly diminished, leading to poor water quality. As a result, the Plant was idled from April 2013 through August 2015. As a result of heavy rainfall during the summer of 2015, lake levels increased to a peak of nearly 80% of capacity. SAWS restarted the Plant on September 1, 2015 and treated approximately 500 acre-feet of Medina Valley water. Water quality concerns persisted, and SAWS elected to again idle the Plant in October 2015. Due to the sufficiency of SAWS' alternative sources of supply, the Plant has remained idled since 2016. Additional investments in the treatment process may be required in order to eliminate these water quality concerns in the future. Current available water supplies are expected to be sufficient to meet System customers' demand in the foreseeable future without utilizing Medina's supplies. The book value of the Plant as of December 31, 2020 was \$10.8 million. SAWS is continuing to depreciate the Plant and does not currently believe the Plant has been permanently impaired.

WESTERN INTEGRATION PIPELINE

The 2012 Water Management Plan addressed the operating challenge of co-locating the Brackish Groundwater Desalination Program, Local Carrizo and ASR projects at a single site (H₂Oaks Center in southern Bexar County) by recommending the expedited construction of the Western Integration Pipeline to bring water to the western half of the City.

Construction was divided into two phases. Phase I construction commenced in 2014 and became operational in September 2016. Phase I construction consisted of 28 miles of pipeline, a high service pump station, and a ground storage tank and distribution pumps capable of delivering up to 50 million gallons per day of water from the H₂Oaks Center to the System's distribution system.

Phase II, which has a total budgeted construction cost of approximately \$70.7 million, began construction in 2020. Phase II consists of 16 miles of pipeline, the remaining portion of the high service pump station, and a second ground storage tank and additional high service pumps to increase the total production capacity of water from the H₂Oaks Center to 75 million gallons per day.

CONSERVATION

General. SAWS recognizes that the effort to promote conservation is a cost-efficient approach at minimizing the increase in demand for water caused by population growth. Beginning in 1994, SAWS implemented progressive water conservation programs aimed at reducing the total amount of water used. These programs target both indoor and outdoor residential, commercial, and industrial uses.

The City's long-standing commitment and investment in water conservation and infrastructure improvements has yielded its largest water supply. SAWS' total per capita water consumption has decreased significantly from 225 gallons per capita per day ("GPCD") in 1982 to 116 GPCD in 2020, which has resulted in approximately 3.2 million acre-feet of cumulative savings. Using today's larger population, a total per capita of 225 GPCD would require an additional 214,000 acre-feet of water per year. SAWS has successfully cultivated an ethic of conservation, invested in infrastructure over the past 35 years and effectively reduced GPCD by approximately 50 percent, all while SAWS' service area population has grown by approximately 150%.

As part of the 2017 Water Management Plan, water conservation continues to be a strategy for long-term water supply. By 2070, conservation investments are projected to result in approximately 4.3 million acre-feet of cumulative water savings since 2017 and would replace the need for approximately 132,000 acre-feet per year of new water projects.

Over the last five years, several initiatives have contributed to SAWS' progress in extending the City's water supplies through conservation and innovation:

- Over 2 million square feet of water-intensive grass has been replaced with low water-use plants or permeable patios through WaterSaver Landscape Coupon programs.
- Regional Carrizo Water Project was brought on line in 2013, providing more than 10,000 acre-feet of water in both 2015 and 2016 from the Carrizo Aquifer in Gonzales County, Texas to the City.
- In January 2017, SAWS held the grand opening of the H₂Oaks Desalination Plant and Water Center, Phase I of which is capable of producing 12 million gallons of drinking water daily from desalination operations.
- WaterSaver Irrigation Consultations providing home irrigation and landscape education visits have reduced household usage by 140 million gallons per year.
- The GardenStyleSA.com website and e-newsletter providing timely City-focused low water use landscape information to reduce outdoor watering.
- SAWS' ASR at H₂Oaks has reached a record storage volume of 143,000 acre-feet, representing over a half-year of SAWS' potable demand.
- The public-private partnership with Vista Ridge LLC for up to 50,000 acre-feet per year of groundwater from Burleson County, Texas by 2020 is recognized globally as a benchmark agreement in water projects.
- The System's 2017 Water Management Plan strives for a reduction of residential consumption to 55 GPCD by 2070 and a total consumption (to include commercial, industrial, and non-revenue water) to 88 GPCD by 2070.

Strategies to Save Water. Conservation results are achieved through a combination of education and outreach, reasonable regulation, and financial incentives. Education is provided through workshops and events offered directly by staff and through partnerships with expert volunteers. Over 100,000 people receive face-to-face education on how to save water through these efforts each year.

Regulations that save water are negotiated with impacted stakeholder groups to determine where it is logical to set a conservation standard for a particular activity. An example is regulations that set standards to ensure that swimming pools are designed to operate as efficiently as possible. Other regulations set efficiency standards for landscape and irrigation, power washing, decorative fountains, and car wash operations.

Financial incentives include a tiered rate structure, free conservation supplies, rebates for efficiency upgrades and coupons that offset material costs. Each incentive is designed to achieve a change in how water is used for a particular activity. The incentives are evaluated to assess the cost per gallon of water saved to ensure that they acquire water savings at a rate lower than the cost of new water. The new focus on peak water savings has resulted in procedures that place a higher financial incentive on programs that result in landscape irrigation reductions than on programs that reduce the year-round baseline use of water.

Residential Conservation Programs. Residential conservation programs encourage customers to save water and ensure that their landscape and irrigation practices are efficient. A variety of education and rebate incentive programs are available to help ratepayers understand how following best practices can save water and money. Customers learn about these programs through the System's website, public events, direct mail inserts in bills, paid advertisements, and educational materials in popular local periodicals. The System's most effective residential programs for water use reduction include the following:

Conservation Consultations provide the System's ratepayers with a free analysis of their in-ground irrigation system and landscape care needs. Trained conservation consultants visit homes to review each component of irrigation systems to determine maintenance needs to make suggestions for improving efficiency. Customers are invited to participate in the review process to get the maximum benefit from the site visit. A report that outlines any necessary maintenance repairs, suggestions for design improvements and how much water the system uses is provided to customers. The consultation visit includes suggestions and rebate incentive amounts available for making suggested design improvements. Customers are advised of ways to further reduce outdoor consumption by adjusting irrigation scheduling and by considering other landscape options.

Conservation Coupons provide instant incentive savings to customers who wish to make changes in their landscape or irrigation system. The coupons offset the upfront costs associated with transforming portions of their traditional landscape to attractive bedding areas comprised of hardy, drought-tolerant plants. The incentives require customers to replace grass with lower water use options in the same space. Coupon packages are offered several times per year and reflect seasonal plant offerings available in locally owned plant nurseries. Some coupons also offset the material costs of replacing grass by installing a patio.

Irrigation Design Rebates are designed to make an irrigation system more efficient or remove it altogether and receive a rebate to help cover the cost. During a conservation consultation, trained consultants work with local irrigators to help identify design flaws in a customer's irrigation system that, if changed, can result in water savings, healthier landscapes, and rebates.

Flow Sensor Rebate provides an incentive for residential customers to purchase a flow sensor from an approved list. The flow sensors provide near real time feedback on water use at homes enabling customers to trouble shoot high bills and find costly leaks faster. Flow sensors have been one of SAWS' most popular incentive programs in the past two years making this an excellent transition for Advanced Meter Infrastructure investments that may provide flow data for all SAWS' customers.

Plumbers to People provides leak repairs and retrofits to qualified low-income homeowner customers. The System qualifies applicants based on the current Federal Assistance Guidelines. Only leaks that result in a loss of potable water are eligible for repair under the program. Water conservation is achieved by quickly repairing leaks that would otherwise continue due to the cost of repairs. When applicable, special analysis is prepared within low-income housing areas where high water bills and older housing stock indicate the possibility of leaks or high flow fixtures. Identified households are sent letters offering a conservation assessment. Contracted plumbers provide services that include replacement of high flow fixtures and repair of minor potable water leaks.

Garden Style San Antonio website (www.GardenStyleSA.com) is a one stop resource for inspiring designs, information on drought-hardy plants, and regional expert advice to help SAWS' customers transform their landscapes into a water-saving showpiece. Launched in May 2014. During 2020 the popular site had 653,306 visits by 211,000 unique users.

GardenStyleSA e-Newsletter is a weekly free newsletter provided to 16,289 individuals who want expert advice on how to take care of their landscape. It includes timely lawn irrigation advice that is based on current weather conditions. Local horticulture experts provide weekly articles on seasonal landscape care featuring plants that thrive in the City. Incentive programs and local educational events are promoted. A gardening expert (the Garden Geek) responds to regularly submitted questions.

Commercial Conservation Programs. Commercial customers account for 10 percent of the System's customer base but represent 40 percent of the System's annual water sales; therefore, there is great potential for both water and monetary savings through the System's commercial conservation programs. The System has been working closely with commercial customers for the past 20 years to help them conserve water, maintain profitability, and become a water wise corporate partner. Water audits and case-by-case custom rebates for retrofits are also available. The System's most effective programs for commercial and industrial water use reduction include the following:

Irrigation Design Rebates provide an incentive for commercial properties to upgrade older, water wasting irrigation equipment with newer options that apply water more efficiently. Rebates are available to zone irrigation areas by plant material, to convert spray irrigation to drip and to cap areas that do not require irrigation.

Irrigation Check-Up is a regulation that requiring managers of large irrigation systems to submit an "Irrigation Check Up" report to SAWS once per year. Large systems are defined as any system using over 1 million gallons of water per year or those located on over five acres of property. The process helps managers of large irrigation systems better understand their usage patterns and be in control of their substantial water bills which reduces high bill complaints. Analysis of savings suggests that this cooperative effort is one of the most effective water savings measures in the portfolio of programs saving nearly 76 million gallons of water per year.

Commercial Custom Rebate Program allows commercial water users of all sizes to apply on a case-by-case basis for rebates to install water conserving equipment. The rebate pays for part of the costs of equipment changes based on the water projected to be saved over a ten-year period. The program requires a pre-audit, a pre-inspection, and on-going verification of water savings and is mutually beneficial between commercial customers and SAWS. The rebate is enticing for the business as it allows water saving projects to become economically feasible while at the same time maintaining the company's market competitiveness. Additionally, after the technology is installed, the business will see a decrease in overhead cost as they are using less water for the same amount of product. For SAWS, the rebate provides an investment in permanent water savings. The water saved can be used to service other customers and alleviate the pressure to pump from other water sources.

Cooling Tower Consultations help businesses manage their cooling towers as efficiently as possible. This program provides for free consultations on all cooling towers within the System's service area. A cooling tower review provides the customer with detailed advice on their specific operation, as well as recommendations for achieving water and energy savings through increased cycles of concentration, capture of blowdown water for reuse in other applications, or installation of other water conserving equipment.

Landscape & Irrigation Consultations allow conservation staff to work with irrigation and landscape professionals and with building managers to put best management practices in place as businesses are finding that irrigation consumption can account for a significant amount of their total water usage. These visits include a review of the overall site plan, the landscape maintenance plan, irrigation system quality, and irrigation scheduling. Customers are left with information on retrofits to improve efficiencies and irrigation scheduling advice. As part of the site analysis, custom rebates may be approved to encourage irrigation upgrades.

WATER QUALITY AND QUANTITY

The System's Resource Protection and Compliance Department is responsible for the System's efforts in protecting the quality of the Edwards Aquifer and, in cooperation with the System's Water Resources Department, conducting technical evaluations of how to increase its yield. The TCEQ has adopted rules relating to the activities of landowners in the recharge and drainage zones of the Edwards Aquifer. The City has adopted ordinances applicable within its City limits that limit or regulate activities, which could be harmful to water quality and has, through its Unified Development Code, regulated certain development within the City's ETJ (five miles from city limits).

Research on the Edwards Aquifer is conducted as part of the Edwards Aquifer Optimization program. This is a comprehensive program that identifies and evaluates technical options to increase available yield from the Edwards Aquifer and to attempt to use the aquifer's storage capacity more efficiently. The goal of these studies is to gain a better understanding of the hydrogeologic framework, chemical and hydraulic characteristics, and ground water flowpaths of the freshwater-saline water interface of the Edwards Aquifer. The United States Geological Survey (the "USGS") conducted a study of the San Marcos Springs hydrogeology and water balance known as the San Marcos Springs Recharge – Investigative Study. This effort encompasses scientific investigative work to refine the hydrogeologic setting, determine the hydraulic properties and groundwater flow gradient, and define local sources and flowpaths providing flow from San Marcos Springs. This study provides data for evaluation of the local versus regional sourcing of springflow, the effectiveness of current management strategies, and the need for revised management policies to maintain San Marcos Springs flow. The final Report has completed USGS editorial review and is now available on the USGS website.

SEWER MANAGEMENT PROGRAM

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (the “EPA”) of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows (“SSOs”). The EPA subsequently referred the matter to the United States Department of Justice (the “DOJ”) for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. On June 4, 2013, the Board approved a Consent Decree (“Consent Decree”) between SAWS and the United States of America and the State to resolve this enforcement action. SAWS signed the Consent Decree on June 5, 2013 and the Consent Decree was subsequently executed by the United States of America and the State. On September 13, 2013, after consideration of the comments received, the United States of America filed its Motion for Entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013. During the 10 to 12 year term of the Consent Decree, SAWS estimated the cost to perform the operating and maintenance requirements of the Consent Decree to be approximately \$250 million. SAWS initially estimated that capital investments of approximately \$850 million would be required over the Consent Decree term. During the last several years, through flow monitoring during significant rainfall events, physical inspection and televising, SAWS has accumulated additional information relative to the performance of its collection system. Based upon this additional information, as well as inflationary cost increases, SAWS currently estimates that capital expenditures associated with the requirements of the Consent Decree could range from \$1.2 billion to \$1.3 billion. As with any estimate, the actual amounts incurred could differ materially.

As mentioned above, capital requirements could range in total from \$1.2 billion to \$1.3 billion. Through December 31, 2020, capital expenditures related to the Consent Decree totaled approximately \$765 million which includes certain work which was previously planned prior to entry into the Consent Decree. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and management believes SAWS is in material compliance with such terms, conditions, and requirements. Since 2010, SAWS has seen a significant reduction in SSOs, from 538 in 2010 to 152 in 2020. The year to date SSOs through April 30, 2021 were 76.

SAWS operates the Mitchell Lake Site Wastewater Treatment Facility (“Mitchell Lake”) pursuant to a Texas Pollutant Discharge Elimination Permit (the “Permit”) issued by the TCEQ under a delegation of authority from the EPA.

Mitchell Lake is not a standard brick and mortar wastewater treatment facility. Instead, the approximately 425-acre lake and adjacent wetland complex of 125 acres are legacy remnants of 19th-century wastewater reuse and disposal practices by irrigation of adjacent croplands. Also, Mitchell Lake is a unique and environmentally sensitive natural facility that has become a wildlife refuge and an active destination attraction within the City. The site provides essential habitats where more than 330 species of migratory birds can rest and feed and was declared to be a Refuge for Shore Birds and Waterfowl by the City of San Antonio in 1973. Since 2004, the site has been operated by the National Audubon Society as a Nature Center.

The EPA regulated discharges from Mitchell Lake, which can occur after significant rainfall events, and on August 18, 2016, SAWS received an Administrative Order from the EPA that alleged SAWS violated the Permit by failing to meet effluent limitations for discharges from the lake as required by the Permit.

Upon receiving the Administrative Order, SAWS began working with consulting experts and conducted preliminary feasibility evaluations of a proposed solution that would entail the use of constructed treatment wetlands to meet water quality objectives while protecting and enhancing the existing natural resources and aquatic waterfowl habitats. The proposal has two major components: (a) modifications to the existing dam with the construction of a new spillway and (b) constructing treatment wetlands of approximately 100 acres below Mitchell Lake.

The EPA accepted SAWS’ proposed solution and by letter dated February 28, 2019, the EPA delivered a second Administrative Order to SAWS that includes a Schedule of Activities, which requires completion of the wetlands project by September 30, 2024. To inform the design and operation of a full-scale constructed wetlands, SAWS commenced a pilot wetlands study in 2019 of approximately 1.3 acres. Operations began in the summer of 2019 and after a one-year operation period, a final report was produced in December of 2020. This report adequately documented the efficacy of using constructed wetlands to comply with permitted water quality requirements.

On January 9, 2018, SAWS purchased a 285-acre tract of land that is anticipated to be used to implement the water quality treatment wetlands project. After assessment of the actual acreage and location of acreage needed for the proposed wetlands, on June 9, 2020, the Board declared approximately 128 acres of this 285-acre tract as surplus to the needs of the System and authorized its disposition. Negotiations are ongoing for the acquisition of an additional 234-acre tract that will be necessary for the implementation of the project. On June 4, 2020, the City Council declared this project a public necessity and authorized the use of eminent domain to facilitate timely acquisition of this 234-acre tract. At this time, projected costs for the wetlands project are estimated to be \$67.5 million. No monetary penalties have been assessed, although the EPA reserves all rights to seek any appropriate remedies.

In 2021, engineering design has commenced for the dam modifications, new spillway, and constructed wetlands. Construction is expected to commence in 2022. At the direction of the EPA, SAWS has been exploring the conversion of Mitchell Lake from its current classification as a wastewater treatment facility to a new classification as a Best Management Practice in a Municipal Separate Storm Sewer System permit held jointly by SAWS and the City. This conversion is expected to be complete by the end of 2021.

DEBT AND OTHER FINANCIAL INFORMATION

COMBINED SYSTEM REVENUE DEBT SERVICE REQUIREMENTS⁽¹⁾

FYE (December 31)	SAWS' Current Debt Service ⁽¹⁾		The Bonds		Total Projected Debt Service ⁽¹⁾	
	Senior Lien Obligations ⁽²⁾	Junior Lien Obligations ⁽³⁾⁽⁵⁾	Principal	Interest ⁽⁴⁾	Senior Lien Obligations ⁽²⁾	Junior Lien Obligations ⁽³⁾⁽⁵⁾
2021	\$33,532,091	\$166,492,732	\$ -	\$4,224,419	\$33,532,091	\$170,717,151
2022	19,270,341	161,552,075	4,610,000	12,350,250	19,270,341	178,512,325
2023	19,252,216	156,557,733	4,845,000	12,113,875	19,252,216	173,516,608
2024	19,240,716	158,105,055	5,095,000	11,865,375	19,240,716	175,065,430
2025	22,812,446	156,483,786	5,355,000	11,604,125	22,812,446	173,442,911
2026	23,981,741	157,871,119	5,630,000	11,329,500	23,981,741	174,830,619
2027	29,574,480	147,448,501	5,920,000	11,040,750	29,574,480	164,409,251
2028	28,769,834	151,160,902	6,220,000	10,737,250	28,769,834	168,118,152
2029	17,535,053	166,507,590	6,540,000	10,418,250	17,535,053	183,465,840
2030	17,529,807	165,279,580	6,870,000	10,083,000	17,529,807	182,232,580
2031	17,527,764	165,177,007	7,225,000	9,730,625	17,527,764	182,132,632
2032	17,516,829	165,157,031	7,595,000	9,360,125	17,516,829	182,112,156
2033	17,513,988	164,806,588	7,985,000	8,970,625	17,513,988	181,762,213
2034	17,513,792	192,425,939	565,000	8,756,875	17,513,792	201,747,814
2035	21,910,039	161,873,933	8,425,000	8,532,125	21,910,039	178,831,058
2036	21,895,347	158,303,454	8,860,000	8,100,000	21,895,347	175,263,454
2037	21,887,260	158,274,426	9,310,000	7,645,750	21,887,260	175,230,176
2038	21,874,199	147,551,407	9,740,000	7,218,200	21,874,199	164,509,607
2039	21,859,653	145,010,690	10,140,000	6,820,600	21,859,653	161,971,290
2040	15,650,452	130,233,704	10,555,000	6,406,700	15,650,452	147,195,404
2041	10,100,113	87,598,235	10,985,000	5,975,900	10,100,113	104,559,135
2042	10,098,688	87,567,765	10,625,000	5,543,700	10,098,688	103,736,465
2043	-	86,708,788	11,115,000	5,053,325	-	102,877,113
2044	-	74,407,696	11,685,000	4,483,325	-	90,576,021
2045	-	64,875,968	12,285,000	3,884,075	-	81,045,043
2046	-	57,355,158	12,915,000	3,254,075	-	73,524,233
2047	-	47,178,028	13,505,000	2,661,100	-	63,344,128
2048	-	47,184,639	14,060,000	2,109,800	-	63,354,439
2049	-	34,075,462	14,635,000	1,535,900	-	50,246,362
2050	-	22,634,968	15,230,000	938,600	-	38,803,568
2051	-	-	15,850,000	317,000	-	16,167,000
	\$446,846,849	\$3,785,859,956	\$274,375,000	\$223,065,219	\$446,846,849	\$4,283,300,176

⁽¹⁾ Excludes debt service on commercial paper of the System.

⁽²⁾ Takes into account refundable tax credit anticipated to be received from the United States Department of the Treasury (the "Subsidy Payment") as a result of certain Senior Lien Obligations being issued and sold as "build America bonds" under and pursuant to the American Recovery and Reinvestment Act of 2009 used to offset debt service payments on subject outstanding Senior Lien Obligations. Though used for such purpose, such amounts are not pledged to the payment of any Senior Lien Obligations. Subsidy Payments are subject to offset by the federal government. SAWS has determined that the reduced amount of Subsidy Payment to be received from the United States Treasury in relation to the aforementioned Build America Bonds as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to the Budget Deficit Control Act of 2011 (commonly referred to as "Sequestration"), and extensions thereof pursuant to the Bipartisan Budget Act of 2013 signed into law by the President on December 26, 2013, and any potential delay in the delivery of the Subsidy Payment due to limitations on IRS operations during the Pandemic, will not have a material impact on the financial condition of the System or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing. See "SECURITY FOR THE BONDS – Refundable Tax Credit Bonds" herein. Subsidy payments reduced by 5.7% per annum through final maturity of the related Senior Lien Obligations to account for Sequestration. See "SECURITY FOR THE BONDS - Refundable Tax Credit Bonds" and "EFFECT OF SEQUESTRATION AND IRS OPERATIONS DURING THE PANDEMIC" herein for a discussion related to the current status of Sequestration and its limited effect on the City's outstanding obligations payable from SAWS' revenues since certain actions have been effectuated.

⁽³⁾ For purposes of illustration, interest on the San Antonio Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund) is calculated at the actual rate of 2.00% through October 31, 2021 and an assumed rate of 3.00% thereafter, San Antonio Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B is calculated at an actual rate of 2.00% through October 31, 2022 and an assumed rate of 3.00% thereafter, and San Antonio Water System Variable Rate Junior Lien Revenue Bonds, Series 2019A is calculated at an actual rate of 2.625% through April 30, 2024 and an assumed rate of 3.00% thereafter. While such obligations accrue interest at a variable rate, actual interest paid will vary dependent on market conditions.

⁽⁴⁾ Interest on the Bonds based on actual rates.

⁽⁵⁾ Excludes the Refunded Obligations.

INTEREST RATE HEDGE TRANSACTION

To hedge against changes in interest expense associated with the Subordinate Lien Obligations designated as the “City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B” (the “2003 Subordinate Lien Obligations”), which were issued in a weekly interest reset mode, the City has entered into an agreement with JPMorgan Chase Bank, N.A., as the successor in interest to Bear Stearns Financial Products Inc. Under the agreement, the City must pay any excess monthly (and the counterparty must pay any deficit monthly) of 4.18% per annum over the Municipal Swap Index published by The Securities Industry and Financial Markets Association applied to a specified notional amount that reduces annually through the date of stated termination on May 1, 2032. The City’s obligations under the agreement, both scheduled payments and termination payments (subject to the policy’s terms and condition, including policy limits upon termination), are insured by MBIA Insurance Corporation (“MBIA”); the counterparty’s obligations are not insured or guaranteed. In February 2009, MBIA ceded its U.S. public finance book of business (which includes the aforementioned hedge insurance policy) to subsidiary MBIA Insurance Corp. of Illinois, which has been renamed National Public Finance Guarantee Corp. The City and the counterparty may each terminate the agreement if the other party (or in some cases, its insurer) commits an event of default (including under other specified transactions and indebtedness) or certain acts of insolvency or may not legally perform its obligations under the agreement, or merges or otherwise combines with or transfers substantially all of its assets to a materially less creditworthy entity. In that case, neither party may terminate the agreement without the consent of MBIA. The counterparty may also terminate the agreement if (i) MBIA defaults on the hedge insurance policy, (ii) MBIA fails to maintain an “A3” rating from Moody’s Investors Service, Inc. (“Moody’s”) and an “A-” rating from S&P Global Ratings (“S&P”) (the counterparty’s ability to exercise the right to terminate upon the occurrence of either of (i) or (ii) requires also that an event of default occurs and is continuing with respect to the City or a termination event occurs and is continuing with respect to the City), or (iii) the ratings assigned to the Senior Lien Obligations are reduced below “A1” by Moody’s or “A+” by S&P and the claims paying ability of MBIA are reduced below “A2” by Moody’s or below “A” by S&P. Under certain circumstances, MBIA may exercise the parties’ termination rights. If either party terminates the agreement, the City must pay to the counterparty (or the counterparty must pay to the City) the mean or median average of amounts quoted by leading dealers to be paid to or by the counterparty to enter into an economically equivalent agreement with the counterparty, regardless of whether the City or the counterparty was the defaulting party.

The City’s obligations under the agreement are secured by a lien on the Net Revenues of the System on a parity with the lien securing the 2003 Subordinate Lien Obligations and other Additional Subordinate Lien Obligations, except that the lien securing any uninsured portion of the City’s termination obligations is subordinate to that lien. Any amounts received by the City under the agreement will be revenues of the System. They will not be available to pay the 2003 Subordinate Lien Obligations unless Net Revenues remain after paying debt service due on the Senior Lien Obligations and the Junior Lien Obligations. The counterparty’s indexed obligations under the agreement are expected to correlate closely to the City’s interest obligations on the 2003 Subordinate Lien Obligations and Commercial Paper Notes so long as the credit of the credit enhancer and liquidity bank and the tax-exempt status on the 2003 Subordinate Lien Obligations and Commercial Paper Notes are maintained. If the counterparty’s obligations do not correlate closely, or if the counterparty defaults in payment under the agreement, the City would be exposed to possible increases in the rate of interest on the 2003 Subordinate Lien Obligations and Commercial Paper Notes.

The System still considers the swap agreement to be a valuable variable rate management tool within its debt portfolio. Accordingly, the System negotiated amendments to the swap agreement, effective June 16, 2009, with JPMorgan Chase Bank, N.A. and MBIA to amend the swap agreement to allow the remaining 2003 Subordinate Lien Obligations outstanding to be redeemed with Commercial Paper Notes, while maintaining the swap agreement as an existing obligation to all parties. These amendments provide for the conditional release of MBIA’s swap insurance policy upon the occurrence of certain future events. The System redeemed the remaining 2003 Subordinate Lien Obligations on June 24, 2009 with Commercial Paper Notes. See “COMMERCIAL PAPER NOTE PROGRAM” herein. No such 2003 Subordinate Lien Obligations are currently outstanding; \$68,820,000 in Commercial Paper Notes used to redeem 2003 Subordinate Lien Obligations are currently outstanding.

If the swap agreement is terminated, the City could be obligated to make a substantial payment to the counterparty, depending on market conditions. As of April 30, 2021, the termination payment that the City would be liable for if the swap agreement were terminated on such date would be \$14.9 million (unaudited and unverified). Prospective investors should be aware that the value of the termination payments varies day to day and that such valuation herein provided represents an unaudited and unverified estimate provided to SAWS by JPMorgan Chase Bank, N.A., as the swap counterparty. For more information concerning the swap agreement, see “APPENDIX B – EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM COMPREHENSIVE ANNUAL FINANCIAL REPORT”, Note G. The City may also enter into other interest rate hedging transactions payable from System revenues in the future, with comparable risks, although no such transactions are currently contemplated.

PENSION FUNDS

The System’s retirement program includes benefits provided by Texas Municipal Retirement System (“TMRS”), a State-wide multi-employer public retirement plan, and the San Antonio Water System Retirement Plan (“SAWSRP”), which serves as a supplement to TMRS. SAWSRP is a single-employer plan administered by the Principal Financial Group. SAWSRP has a defined benefit component covering employees hired prior to June 1, 2014 and a defined contribution component covering employees hired on or after June 1, 2014. The System makes annual contributions to TMRS and the defined benefit component of the SAWSRP equal to the actuarially determined contribution amounts. The System makes contributions to separate retirement accounts for eligible employees participating in the defined contribution component of the SAWSRP in accordance with the provisions of the plan, which currently require a System contribution equal to four percent of eligible employees’ compensation.

The System is also the plan sponsor of the District Special Project Retirement Income Pension Trust Fund (“Retirement Income Plan”) which is a single-employer defined benefit pension plan that covers eligible former employees of the former BexarMet. In 2008, the Retirement Income Plan was frozen for both future benefit accruals and new entrants to the plan. Annual contributions to the Retirement Income Plan are based on the actuarially determined contribution amounts.

Based on the most recent, unaudited actuarial evaluation, the cumulative net pension liability for these three plans total \$16.7 million as of the valuations dated either December 31, 2019 or January 1, 2020. This represents a funded ratio of 96.7%. These plans' liability amounts are based upon assumed discount rates of 6.25% for the SAWSRP and Retirement Income Plan and 6.75% for TMRS.

For further information with respect to the System's audited Pension liabilities, please refer to Note J and the Required Supplemental Information of the System's Annual Financial Report for the year ended December 31, 2020. (See "APPENDIX B - EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM COMPREHENSIVE ANNUAL FINANCIAL REPORT".)

OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

The System provides certain postretirement medical and life insurance benefits to qualified employees, their spouses, and other dependents through a single-employer defined benefit plan administered by the System. The authority to establish and amend the OPEB provisions is vested in the System's Board.

By State law, any employee that retires under either the TMRS or SAWSRP is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS' employees. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Retirees may also purchase coverage for their spouse at group rates partially subsidized by SAWS. Beginning January 1, 2015, retirees age 65 or older participate in a fully-insured Medicare Advantage healthcare plan sponsored by the System.

Based on the latest unaudited actuarial valuation dated January 1, 2020, the net OPEB liability for this plan was \$21.3 million and the annual required contribution was \$6.3 million. Prior to 2012, the System funded all obligations arising under these plans on a pay-as-you-go basis. In March 2012, SAWS established an OPEB Trust for the exclusive purpose of providing benefits to eligible retirees and their dependents. During 2020, the System made contributions to the OPEB Trust of \$7.5 million in addition to funding the pay-as-you-go costs of \$6.1 million. Going forward, the System expects to make annual contributions to the OPEB Trust in accordance with a plan to continue to reduce the unfunded actuarial accrued liability over a period of time.

For further information with respect to the System's audited OPEB liabilities, please refer to Note K and the Required Supplemental Information of the System's Annual Financial Report for the year ended December 31, 2020. (See "APPENDIX B - EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM COMPREHENSIVE ANNUAL FINANCIAL REPORT".)

CAPITAL IMPROVEMENT PROGRAM

The following is a proposed five-year CIP for the System. It is the intention of the System to fund the program with long-term bonds, tax-exempt commercial paper, impact fees, and excess System revenues. The System contemplates the following summary of capital improvement projects during calendar year 2021:

- \$53.2 million is budgeted for the wastewater treatment program to repair/replace/upgrade treatment facilities and provide capacity for future growth;
- \$17.0 million is budgeted for the wastewater collection program to fix deteriorated components of the collection system and provide capacity for future growth;
- \$193.4 million is budgeted to replace sewer and water mains;
- \$50.0 million is budgeted for new sewer and water mains;
- \$55.5 million is budgeted for the governmental replacement and relocation programs; and
- \$64.4 million is budgeted to construct new or fix deteriorated components of the production facilities.

The capital improvement projections in the following table were prepared by the System staff.

	Capital Improvement Projections*					
	Fiscal Year Ended December 31,					
	2021	2022	2023	2024	2025	Total
Water Supply	\$ 32,891,260	\$ 137,735,307	\$ 26,642,847	\$ 33,124,582	\$ 27,670,964	\$ 258,064,960
Water Delivery	182,391,576	212,188,582	208,650,844	228,552,688	240,621,564	1,072,405,254
Wastewater	325,942,794	223,964,671	283,994,720	253,964,672	158,062,540	1,245,929,397
Chilled Water	125,000	125,000	125,000	125,000	125,000	625,000
Total Annual Requirements	\$541,350,630	\$574,013,560	\$519,413,411	\$515,766,942	\$426,480,068	\$2,577,024,611

* Preliminary, subject to change. See "THE SAN ANTONIO WATER SYSTEM – Sewer Management Program" herein for additional information regarding wastewater capital improvement projections.

PROJECT FUNDING APPROACH

The table on the following page was prepared by the System staff based upon information and assumptions it deems reasonable and shows the projected financing sources to meet the projected capital needs.

Projected Funding Sources*
Fiscal Year Ended December 31,

	2021	2022	2023	2024	2025	Total
Revenues	\$ 175,722,330	\$ 89,154,377	\$ 98,738,398	\$ 106,275,507	\$ 127,547,390	\$ 597,438,002
Impact Fees	82,000,000	113,000,000	80,000,000	90,000,000	90,000,000	455,000,000
Debt Proceeds	283,628,300	371,859,182	340,675,013	319,491,435	208,932,678	1,524,586,608
Total	<u>\$541,350,630</u>	<u>\$574,013,559</u>	<u>\$519,413,411</u>	<u>\$515,766,942</u>	<u>\$426,480,068</u>	<u>\$2,577,024,610</u>

* Preliminary, subject to change.

FINANCIAL POLICIES

Basis of Accounting. The financial statements are prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Debt Service Fund Balance. The System maintains the parity lien Debt Service Fund and the Reserve Fund, as applicable, in accordance with the ordinances authorizing the currently outstanding Senior Lien Obligations and Junior Lien Obligations, respectively.

Budgetary Procedures. The System prepares and presents, 60 days prior to the beginning of each fiscal year, an annual budget prepared on an accrual basis to serve as a tool in controlling and administering the management and operation of the System. The annual budget reflects an estimate of Gross Revenues and an estimate of the disposition of these revenues in accordance with the flow of funds required by Ordinance No. 75686. The annual budget is submitted to City Council for review and consultation. Encumbrances are not formally recorded in the accounting system but are monitored and disclosed if significant amounts are outstanding at year end. Outstanding encumbrances lapse at year end and must be reappropriated in the following year.

INVESTMENT INFORMATION

Available investable funds of the System, acting on behalf of the City, are invested as authorized and required by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Investment Act"), and in accordance with an Investment Policy approved by the Board of the System. The Investment Act requires that the System establish an investment policy to ensure that City funds are invested only in accordance with State law. The most recent update to the investment policy was adopted on November 5, 2019. The System's investments are managed by its Senior Vice President/Chief Financial Officer, Treasurer, and the Manager-Treasury, who, in accordance with the Investment Policy, reports investment activity to the Board.

Legal Investments. Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (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 unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the 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) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for System deposits, and in addition (b) the System is authorized, subject to certain conditions, to invest in certificates of deposit with a depository institution that has its main office or branch office in the State of Texas and that participates in the Certificate of Deposit Account Registry Service® network ("CDARS®") and as further provided by Texas law, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), commercial paper or corporate bonds and require the security being purchased by the City or cash held by the City to be 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 or a financial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 365 days or less from the date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with the remaining term of 365 days or less from the date of issuance that is rated at least "A-1" or "P-1" or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that comply with federal SEC Rule 2a-7, (11) no-load mutual fund registered with the SEC 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 securities authorized by the Investment Act, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities, (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or "AAA-m" or its equivalent, (13) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, and (14) bonds issued, assumed or guaranteed by the State of Israel. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract subject to the limitations set forth in the Investment Act.

Entities such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized 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 (5) and clause (14) above, (b) pledged 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 (5) and clause (14) above, clause (9) above and clauses (10) and (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to such investing entity or a third party designated by such investing entity; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The System may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pool is rated no lower than “AAA” or “AAA-m” or an equivalent by at least one nationally recognized rating service. The System 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 Texas law, the System is required to invest its funds in accordance with written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; that includes a list of authorized investments for System funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pool fund groups, and the methods to monitor the market price of investments acquired with public funds and the 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. All System funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

Under Texas law, System 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 System must submit to the Board an investment report detailing (1) the investment position of the System; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, the fully accrued interest, 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 System funds without express written authority from the Board.

Additional Provisions. Under Texas law, the System is additionally required to (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution; (3) require any investment officers with personal business relationships or relative with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the registered principal of firms seeking to sell securities to the System to (a) receive and review the System’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; (5) perform an annual audit of the management controls on investments and adherence to the System’s investment policy; (6) provide specific investment training for the Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investments of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the System’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in the investment transactions with the System.

Current Investments. At March 31, 2021, investable System funds were 19.45% invested in obligations of the United States, or its agencies and instrumentalities, 5.93% invested in money market funds, 59.38% invested in investment pools, and 15.25% invested in municipal securities. The investments and maturity terms are consistent with State law, and SAWS’ investment policy, which objectives are to preserve principal, limit risk, maintain diversification and liquidity, and to maximize interest earnings.

The market value of such investments (as determined by SAWS by reference to published quotations, dealer bids, and comparable information) was approximately 102.47% of their book value, with 76.77% of the System’s investments maturing in less than one year. No funds of SAWS are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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As of March 31, 2021, the System funds were invested in the following categories (data presented is unaudited):

	Percentages	Carrying Amount ⁽¹⁾	Market Value
Money Market Deposits	5.93%	\$ 72,513,814	\$ 72,513,814
U.S. Treasury Notes	4.91%	60,091,876	87,846,742
U.S. Agency Notes	12.51%	152,986,565	154,042,062
Investment Pools	59.38%	726,095,183	726,095,183
Municipal Bonds	15.25%	186,472,233	187,780,416
Collateralized Mortgage Obligations	<u>2.02%</u>	<u>24,712,746</u>	<u>24,810,786</u>
Total	100.00%	\$ 1,222,872,416	\$ 1,253,089,004

⁽¹⁾ At amortized cost.

SAWS' STATISTICAL SECTION AND MANAGEMENT DISCUSSION

The following Statistical Section (including certain historical financial information presented in this Official Statement in table format was derived from SAWS' internal financial records and the presentation format itself was not audited) is included in SAWS' Annual Financial Report for the year ended December 31, 2020, which is available in its entirety at www.saws.org/who_we_are/Financial_Reports/CAFR. SAWS follows GASB Statement No. 34, which requires the preparation of a Management's Discussion and Analysis ("MD&A") in connection with the annual financial report of SAWS. Reference is hereby made to APPENDIX B for the MD&A pertaining to the SAWS' fiscal year ended December 31, 2020. Certain interim financial reports are made available periodically by SAWS to the general public and are accessible at <http://www.saws.org>.

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, operating costs, water, wastewater, and other industry regulation, environmental regulation, economic growth of the community, population, weather, and other matters the nature and effect of which cannot at present be determined. See "FORWARD-LOOKING STATEMENTS" and "INFECTIOUS DISEASE OUTBREAK – COVID-19" herein.

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San Antonio Water System
Schedule 1 - Net Position
(accrual basis of accounting)
(amounts in thousands)

	2020	2019	2018	2017	2016	2015 ^(a)	2014	2013	2012	2011
Net Position:										
Net investment in capital assets	\$2,966,647	\$2,758,354	\$2,353,841	\$2,217,283	\$2,106,957	\$1,939,292	\$1,730,265	\$1,661,644	\$1,602,507	\$1,496,132
Restricted for operating reserve	72,664	58,408	56,642	54,143	52,279	45,801	43,385	40,656	38,389	35,227
Restricted for debt service	74,095	67,380	64,086	59,719	60,396	56,775	47,123	39,710	34,254	34,862
Restricted for debt service reserve	17,938	23,122	54,702	56,364	56,016	62,716	66,665	62,560	58,681	54,696
Restricted for construction	211,917	163,313	209,204	188,227	150,198	168,968	140,937	101,212	83,968	98,455
Unrestricted	419,960	359,938	368,348	278,542	187,503	126,352	137,207	118,285	116,179	120,363
Total Net Position	<u>\$3,763,221</u>	<u>\$3,430,515</u>	<u>\$3,106,823</u>	<u>\$2,854,278</u>	<u>\$2,613,349</u>	<u>\$2,399,904</u>	<u>\$2,165,582</u>	<u>\$ 2,024,067</u>	<u>\$ 1,933,978</u>	<u>\$ 1,839,735</u>

(a) Increase in amounts from 2014 to 2015 is partially due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

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San Antonio Water System
Schedule 2 - Change in Net Position
(accrual basis of accounting)
(amounts in thousands)

	2020 ^(a)	2019	2018	2017	2016	2015 ^(b)	2014	2013	2012	2011
Operating Revenues										
Water delivery	\$223,076	\$229,203	\$218,399	\$202,264	\$ 190,913	\$ 168,338	\$ 127,708	\$ 119,767	\$ 121,078	\$ 125,188
Water Supply	295,682	218,842	202,674	202,143	185,037	163,759	150,079	134,367	136,704	130,755
Wastewater	266,265	274,519	259,124	250,977	234,966	213,833	210,704	195,584	168,368	150,520
Chilled water & steam	9,894	10,615	10,849	11,368	11,541	11,102	11,152	12,621	12,378	11,631
	<u>794,917</u>	<u>733,179</u>	<u>691,046</u>	<u>666,752</u>	<u>622,457</u>	<u>557,032</u>	<u>499,643</u>	<u>462,339</u>	<u>438,528</u>	<u>418,094</u>
Operating expenses before depreciation:										
Salaries and fringe benefits	163,910	162,445	149,970	148,058	142,315	133,681	115,049	125,210	125,295	127,816
Contractual services	184,517	173,187	171,032	168,350	170,845	163,768	127,685	107,194	100,165	66,900
Materials and supplies	25,836	26,469	23,485	23,159	21,959	23,490	20,930	23,355	23,966	24,868
Other charges	(2,402)	6,726	11,718	11,150	12,702	8,129	12,355	20,423	21,790	21,756
Less: Costs capitalized to Construction in Progress	(29,921)	(30,743)	(31,612)	(32,275)	(32,426)	(37,822)	(30,964)	(31,834)	(33,640)	(32,282)
Internal Service Fund – net (gain)/loss	-	-	-	-	-	-	-	-	-	-
Operating expense before depreciation	<u>341,940</u>	<u>338,084</u>	<u>324,593</u>	<u>318,442</u>	<u>315,395</u>	<u>291,246</u>	<u>245,055</u>	<u>244,348</u>	<u>237,576</u>	<u>209,058</u>
Depreciation	<u>188,872</u>	<u>157,225</u>	<u>155,549</u>	<u>152,072</u>	<u>142,856</u>	<u>141,259</u>	<u>123,111</u>	<u>111,375</u>	<u>103,034</u>	<u>98,374</u>
Total operating expenses	<u>530,812</u>	<u>495,309</u>	<u>480,142</u>	<u>470,514</u>	<u>458,251</u>	<u>432,505</u>	<u>368,166</u>	<u>355,723</u>	<u>340,610</u>	<u>307,432</u>
Operating Income	264,105	237,870	210,904	196,238	164,206	124,527	131,477	106,616	97,918	110,662
Non-operating revenues:										
Interest and miscellaneous	17,974	32,583	22,488	10,407	8,146	6,079	5,792	5,410	6,149	5,955
Non-operating expenses:										
Interest Expense	123,821	96,420	88,542	86,615	86,566	89,971	78,049	75,606	73,987	77,022
Amortization of debt insurance costs	3,667	2,627	1,711	1,385	4,716	3,831	2,914	4,112	3,835	2,346
Other finance charges	1,814	2,066	1,957	2,697	2,121	2,041	2,726	2,361	2,934	2,881
Loss on defeased debt	(1,556)	664								
(Gain)/Loss on sale of capital assets	(777)	(886)	(924)	(951)	(3,087)	(4,674)	(23)	(1,075)	(430)	(773)
Payments to City of San Antonio	31,043	21,917	18,287	17,276	14,228	12,683	13,089	11,528	11,161	10,926
Payments to other entities	93	99	101	108	109	106	114	130	122	124
Total non-operating expense	<u>158,105</u>	<u>122,907</u>	<u>109,674</u>	<u>107,130</u>	<u>104,653</u>	<u>103,958</u>	<u>96,869</u>	<u>92,662</u>	<u>91,609</u>	<u>92,526</u>
Special Items	-	-	-	-	-	-	-	-	-	-
Increases (decreases) in net position, before capital contributions	123,974	147,509	123,718	99,515	67,699	26,648	40,400	19,364	12,458	24,091
Capital contributions										
Plant Contributions	85,955	73,375	59,761	60,643	73,889	71,967	49,081	32,891	44,787	23,263
Capital Recovery Fees	119,571	94,641	79,794	72,846	67,991	64,056	51,973	37,289	36,761	35,872
Grant Revenue	3,206	9,285	6,435	7,925	3,866	-	61	545	237	345
Total contributions	<u>208,732</u>	<u>177,274</u>	<u>145,990</u>	<u>141,414</u>	<u>145,746</u>	<u>136,023</u>	<u>101,115</u>	<u>70,725</u>	<u>81,785</u>	<u>59,480</u>
Change in net position	<u>\$332,706</u>	<u>\$324,820</u>	<u>\$269,708</u>	<u>\$240,929</u>	<u>\$213,445</u>	<u>\$162,671</u>	<u>\$141,515</u>	<u>\$ 90,089</u>	<u>\$ 94,243</u>	<u>\$ 83,571</u>

(a) Based on the commencement of the operational phase of the Vista Ridge Pipeline Project, a contract payable and the associated interest expense were added to the financial statements in April 2020.

(b) Increase in amounts from 2014 to 2015 is partially due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

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San Antonio Water System
Schedule 3 – Net Position in System
(accrual basis of accounting)
(amounts in thousands)

	2020^(a)	2019	2018	2017	2016	2015^(b)	2014	2013	2012	2011
Assets:										
Capital Assets, net of accumulated depreciation	\$6,840,293	\$5,649,427	\$5,266,084	\$5,051,777	\$4,886,091	\$4,647,786	\$4,089,478	\$3,964,000	\$3,771,228	\$3,553,065
Cash and Investments	1,216,526	949,290	1,025,791	924,958	928,593	853,417	819,232	689,483	517,876	528,761
Other Assets	102,442	89,317	83,770	87,530	80,976	81,889	79,478	75,998	71,241	63,658
Total Assets	8,159,261	6,688,034	6,375,645	6,064,265	5,895,660	5,583,092	4,988,188	4,729,481	4,360,345	4,145,484
Deferred Outflows of Resources										
Deferred Charge on Bond Refunding	26,681	35,076	42,048	48,055	54,317	30,103	29,086	30,943	30,561	2,494
Deferred outflows-pension	35,302	60,446	33,411	33,428	28,115	16,083	-	-	-	-
Deferred Outflows-asset retirement	32,299	32,354	32,511	-	-	-	-	-	-	-
Accumulated Decrease in Fair Value of Hedging Derivatives	15,014	12,256	9,332	11,857	12,965	16,394	15,520	8,372	19,746	18,380
Total Deferred Outflows of Resources	109,296	140,342	117,302	93,340	95,397	62,580	44,606	39,315	50,307	20,874
Liabilities:										
Revenue Bonds Payable (net)	3,034,045	2,735,075	2,834,570	2,735,739	2,840,282	2,730,363	2,507,419	2,348,834	2,083,545	1,898,839
Contract and Leases Payable	918,958	-	-	-	-	-	-	-	-	-
Commercial Paper Notes	218,260	281,815	215,695	278,060	241,610	224,005	138,550	186,655	170,745	214,930
Other Liabilities	281,330	367,967	313,140	287,200	293,023	284,617	221,243	209,240	222,384	212,854
Total Liabilities	4,452,593	3,384,857	3,363,405	3,300,999	3,374,915	3,238,985	2,867,212	2,744,729	2,476,674	2,326,623
Deferred Inflows of Resources										
Deferred inflows - pension	52,743	12,794	23,847	2,328	2,793	6,783	-	-	-	-
Net Position in System	\$3,763,221	\$3,430,515	\$3,105,695	\$2,854,278	\$2,613,349	\$2,399,904	\$2,165,582	\$2,024,067	\$1,933,978	\$1,839,735
Percentage Net Position in System	45.5%	50.2%	47.8%	46.4%	43.6%	42.5%	43.0%	42.4%	43.8%	44.2%

(a) Based on the commencement of the operational phase of the Vista Ridge Pipeline Project, the associated capital assets and contract payable were added to the financial statements in April 2020.

(b) Increase in amounts from 2014 to 2015 is partially due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

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San Antonio Water System

Schedule 4 - Water Production, Water Usage, and Wastewater Treated

(gallons in millions)

Unaudited

Fiscal Year	Gallons of Water Production ^(a)	Gallons of Water Usage	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated ^(b)	Total Direct Rate			
						Water		Sewer	
						Base Rate ^(c)	Usage Rate ^(d)	Base Rate ^(e)	Usage Rate ^(f)
2020	83,321	67,193	16,128	19.36%	49,891	\$13.03	\$30.38	\$14.59	\$17.11
2019	80,271	65,655	14,616	18.21%	50,142	13.02	23.92	14.59	17.11
2018	78,665	63,660	15,005	19.07%	50,775	12.97	23.34	13.51	15.84
2017	79,256	65,318	13,938	17.59%	50,945	11.82	22.09	13.04	15.29
2016	76,857	63,394	12,923	16.81%	49,282	10.90	21.18	12.35	14.48
2015 ^(g)	76,227	62,896	13,331	17.49%	48,563	7.75	19.73	12.75	14.04
2014	68,265	57,261	11,004	16.12%	50,689	7.49	18.98	11.99	13.20
2013	66,391	55,108	11,283	16.99%	50,076	7.31	17.81	11.54	12.71
2012	66,596	55,320	11,276	16.93%	49,055	7.31	17.95	9.92	10.91
2011	70,699	59,133	11,566	16.36%	49,918	7.10	15.72	8.73	9.60

(a) Pumpage is total potable water production less Aquifer Storage and Recovery recharge. In 2020, includes water produced from the Vista Ridge Pipeline Project water, which commenced operations in April 2020.

(b) Represents amounts billed to customers. Residential Class customers are billed based on water usage during a consecutive three month billing period from November through March. All other customer classes are billed for wastewater treatment based on actual water usage during each monthly billing period.

(c) Rate shown is for 5/8" meters. See Schedule 8 for the rates of other meter sizes. See Schedule 14 for additional information.

(d) Represents standard (non-seasonal) usage charge for monthly residential water usage of 7,092 gallons per month. Includes water supply and EAA fees.

(e) Minimum service availability charge (includes charge for first 1,496 gallons). Includes the State-imposed TCEQ fee.

(f) Represents usage charge for a residential customer based on winter average water consumption of 5,668 gallons per month.

(g) Increase in water produced and used from 2014 to 2015 is partially due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

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San Antonio Water System
Schedule 5 - Sales by Source
(accrual basis of accounting)
(amounts in thousands)
Unaudited

	2020	2019	2018	2017	2016	2015 ^(a)	2014	2013	2012	2011
Water Sales:										
Residential Class	\$ 133,959	\$127,488	\$123,006	\$113,070	\$100,982	\$95,068	\$74,062	\$71,536	\$72,620	\$79,332
General Class	65,955	69,326	67,412	60,977	63,781	56,041	37,878	35,099	35,504	33,571
Wholesale Class	804	808	744	801	767	432	3,233	1,640	1,255	234
Irrigation Class	26,153	26,631	21,304	21,915	20,239	13,113	11,011	10,893	11,164	11,722
Total Water	226,871	224,253	212,466	196,763	185,769	164,654	126,184	119,168	120,543	124,859
Water Supply Fees										
Residential Class	147,131	92,932	86,003	85,809	73,518	60,067	48,270	43,121	44,163	51,696
General Class	76,189	53,620	50,086	47,129	42,748	44,746	39,355	32,393	32,537	31,586
Wholesale Class	1,407	887	790	874	865	588	7,196	3,227	2,294	202
Irrigation Class	28,356	19,475	15,122	16,571	15,437	14,491	12,551	12,057	12,058	13,029
Total Water Supply Fees	253,083	166,914	152,001	150,383	132,568	119,892	107,372	90,798	91,052	96,513
EAA Pass-through fees ^(b)										
Residential Class	13,429	12,996	12,526	13,108	14,110	10,915	9,654	9,905	10,841	4,767
General Class	8,177	9,013	8,687	8,865	9,606	7,380	6,874	6,991	7,352	2,930
Wholesale Class	120	124	119	123	157	114	1,271	659	509	18
Irrigation Class	1,441	1,288	1,241	1,434	1,639	1,136	1,061	1,134	1,242	540
Total Pass-through fees	23,167	23,421	22,573	23,530	25,512	19,545	18,860	18,689	19,944	8,255
Conservation Fees:										
Residential Class	3,047	2,747	2,644	2,727	2,189	2,246	1,956	2,454	2,986	3,682
General Class	9,487	9,397	8,990	8,345	8,453	7,004	6,498	6,606	7,040	6,702
Total Conservation	12,534	12,144	11,634	11,072	10,642	9,250	8,454	9,060	10,026	10,384
Wastewater Sales:										
Residential Class	158,460	153,273	146,684	142,530	134,860	124,992	125,051	116,775	98,674	88,702
General Class	96,816	101,247	92,427	88,551	80,696	71,267	68,371	62,300	54,175	48,271
Wholesale Class	11,829	11,706	10,659	9,936	8,729	8,064	7,848	7,599	6,761	6,105
Surcharge	5,626	6,370	6,245	6,056	6,292	5,401	5,450	5,438	5,134	4,815
Total Wastewater	272,731	272,596	256,015	247,073	230,577	209,724	206,720	192,112	164,744	147,893
TCEQ Pass-through fees ^(c)										
Water customers	1,882	1,743	1,683	1,420	1,460	1,412	1,169	1,086	1,064	1,178
Wastewater customers	495	481	465	435	448	429	433	347	411	464
	2,377	2,224	2,148	1,855	1,908	1,841	1,602	1,433	1,475	1,642
Recycled Water Sales	6,694	6,094	5,568	5,651	5,691	5,097	5,086	5,161	5,074	5,068
Stormwater Fees	5,037	5,223	5,221	5,209	4,967	4,797	4,420	5,058	4,558	4,158
Chilled Water & Steam ^(d)	9,894	10,6125	10,849	11,368	11,548	11,184	11,251	12,719	12,485	11,715
Miscellaneous Fees and Charges	6,225	15,545	17,415	17,709	17,634	16,769	13,860	12,787	12,427	10,418
Provision for Uncollectible Accounts	(23,696)	(5,849)	(4,844)	(3,860)	(4,359)	(5,721)	(4,166)	(4,646)	(3,800)	(2,811)
Total Operating Revenue	\$794,917	\$733,179	\$691,046	\$666,752	\$622,457	\$557,032	\$499,643	\$462,339	\$438,528	\$418,094

(a) Increase in water related revenues from 2014 to 2015 is partially due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

(b) EAA pass-through fees are designed to recoup fees charged by the EAA. The fee is charged based on water usage. Any previous over or under recovery of fees is considered in determining the fees to be charged each year.

(c) TCEQ pass-through fees are designed to recoup fees charged by the TCEQ. Fee is a per customer charge.

(d) Steam service was discontinued in June 2014.

San Antonio Water System
Schedule 6 - Sales in Gallons
(gallons billed, in millions)
Unaudited

	2020	2019	2018	2017	2016	2015 ^(a)	2014	2013	2012	2011
Water Sales: ^(b)										
Residential Class	38,947	36,084	35,325	36,566	35,360	35,769	29,310	29,206	30,070	34,153
General Class	23,719	25,011	24,498	24,731	24,074	23,212	20,870	20,614	20,393	20,986
Wholesale Class	347	352	337	344	393	354	3,861	1,943	1,412	128
Irrigation Class	4,179	4,208	3,500	4,000	4,107	3,561	3,220	3,345	3,445	3,866
Total Water	67,193	65,655	63,660	65,641	63,934	62,896	57,261	55,108	55,320	59,133
Wastewater Sales:										
Residential Class	26,062	25,263	26,318	26,809	26,462	26,048	27,896	27,617	26,572	27,371
General Class	21,213	22,393	21,873	21,654	20,503	20,281	20,502	20,100	20,066	20,134
Wholesale Class	2,616	2,486	2,584	2,482	2,317	2,234	2,291	2,359	2,417	2,413
Total Wastewater	49,891	50,142	50,775	50,945	49,282	48,563	50,689	50,076	49,055	49,918
Conservation -										
Residential Class ^{(c)(d)(e)}	10,358	9,189	8,658	9,572	6,611	2,284	2,296	2,520	3,026	4,106
Recycled Water Sales	18,172	18,208	18,346	18,949	18,436	18,421	18,323	18,359	18,129	18,990

(a) Increase in water usage from 2014 to 2015 is primarily due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

(b) Water Supply and EAA fees are billed based on the gallons billed for water sales.

(c) Gallons billed for conservation are included in the gallons billed for water sales.

(d) As part of a rate restructuring which took place on January 1, 2016, a portion of all monthly residential water sales in excess of 7,482 gallons is allowed to fund conservation related programs. Prior to 2016, this allocation was limited to monthly sales in excess of 17,205 gallons.

(e) Effective January 1, 2017, former District Special Project customers began paying for water service under the SAWS' rate structure. As a result, a portion of the revenues from those customers was included in the revenue allocated to conservation. The increase in the gallons subject to the conservation allocation from 2016 to 2017 reflects this change.

San Antonio Water System
Schedule 7 - Number of Customer Connections
(average number billed)
Unaudited

	2020	2019	2018	2017	2016	2015 ^(a)	2014	2013	2012	2011
Water Sales: ^(b)										
Residential Class	492,922	481,994	473,333	465,241	457,485	450,725	347,789	343,667	339,204	335,280
General Class	29,584	29,358	28,682	28,518	29,155	28,366	23,777	23,713	23,582	23,369
Wholesale Class	9	9	9	9	9	9	7	8	8	7
Total Water	522,515	511,361	502,024	493,768	486,649	479,100	371,573	367,388	362,794	358,656
Irrigation Class ^(c)	10,883	10,676	10,465	10,260	9,291	9,829	8,966	8,821	8,633	8,479
Wastewater Sales:										
Residential Class	441,356	431,695	424,127	416,996	409,988	402,409	395,574	390,256	383,553	378,380
General Class	26,093	25,911	25,754	25,544	25,352	25,175	25,079	25,021	24,824	24,550
Wholesale Class	12	12	12	12	12	12	12	12	12	12
Total Wastewater	467,462	457,618	449,893	442,552	435,352	427,596	420,665	415,289	408,389	402,942
Conservation -										
Residential Class ^{(d)(e)}	132,152	113,152	149,940	159,994	83,991	18,539	20,716	20,867	23,804	33,708
Recycled Water Sales	127	123	116	112	107	109	102	97	92	80

(a) Increase in water usage from 2014 to 2015 is primarily due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

(b) Water Supply and EAA fees are billed to water customers with water usage.

(c) Represents the number of customers included in Residential, General, and Wholesale Classes which also have irrigation meters.

(d) As part of a rate restructuring which took place on January 1, 2016, a portion of all monthly residential water sales in excess of 7,482 gallons is allowed to fund conservation related programs. Prior to 2016, this allocation was limited to monthly sales in excess of 17,205 gallons.

(e) Effective January 1, 2017, former District Special Project customers began paying for water service under the SAWS' rate structure. As a result, a portion of the revenues from those customers was included in the revenue allocated to conservation. The increase in the gallons subject to the conservation allocation from 2016 to 2017 reflects this change.

San Antonio Water System
Schedule 8 - Residential Class Rates (Inside City Limits)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2001
Water										
Service Availability Charge by meter size:										
5/8"	\$12.82	\$12.82	\$12.77	\$11.64	\$10.72	\$7.57	\$7.31	\$7.14	\$7.14	\$6.91
3/4"	16.97	16.97	16.90	15.41	14.19	10.63	10.26	10.01	10.01	9.68
1"	25.22	25.22	25.12	22.90	21.09	16.72	16.14	15.75	15.75	15.23
1-1/2"	45.85	45.85	45.67	41.63	38.33	31.94	30.83	30.09	30.09	29.10
2"	70.58	70.58	70.30	64.08	59.01	50.18	48.44	47.28	47.28	45.73
3"	128.34	128.34	127.83	116.53	107.30	92.80	89.58	87.44	87.44	84.56
4"	210.83	210.83	209.99	191.42	176.26	153.67	148.33	144.78	144.78	140.02
6"	417.07	417.07	415.41	378.67	348.68	305.86	295.23	288.17	288.17	278.69
8"	664.55	664.55	661.90	603.37	555.59	488.47	471.50	460.22	460.22	445.09
10"	953.27	953.27	949.47	865.51	796.97	701.52	677.14	660.95	660.95	639.22
12"	1,778.20	1,778.20	1,771.12	1,614.51	1,486.66	1,310.24	1,264.71	1,234.47	1,234.47	1,193.88
Reduction applied if usage is less than 2,993 gallons:	(2.57)	(2.57)	(2.55)	(2.32)	(2.14)					
Usage (per 100 gallons)										
First 2,992 Gallons	0.0740	0.0740	0.0737	0.0672	0.0619					
Next 1,497 Gallons	0.1295	0.1295	0.1290	0.1176	0.1083					
Next 1,496 Gallons	0.1665	0.1665	0.1658	0.1511	0.1391					
Next 1,496 Gallons	0.2034	0.2034	0.2026	0.1847	0.1701					
Next 2,992 Gallons	0.2405	0.2405	0.2395	0.2183	0.2010					
Next 4,489 Gallons	0.2775	0.2775	0.2764	0.2520	0.2320					
Next 5,237 Gallons	0.3329	0.3329	0.3316	0.3023	0.2784					
Over 20,199 Gallons	0.4809	0.4809	0.4790	0.4366	0.4020					
Standard:										
First 5,985 gallons						0.1006	0.0971	0.0948	0.0948	0.0917
Next 6,732 gallons						0.1457	0.1406	0.1372	0.1372	0.1327
Next 4,488 gallons						0.2053	0.1982	0.1935	0.1935	0.1871
Over 17,205 gallons						0.3596	0.3471	0.3388	0.3388	0.3277
Seasonal: ^(a)										
First 5,985 gallons						0.1006	0.0971	0.0948	0.0948	0.0917
Next 6,732 gallons						0.1584	0.1529	0.1492	0.1492	0.1443
Next 4,488 gallons						0.2355	0.2273	0.2219	0.2219	0.2146
Over 17,205 gallons						0.4880	0.4710	0.4597	0.4597	0.4446
Sewer										
Service Availability Charge by meter size ^(b)										
5/8"	\$14.53	\$14.53	\$13.45	\$12.98	\$12.29	\$12.69	\$11.93	\$11.49	\$9.86	\$8.68
3/4"	15.97	15.97	14.79	14.28	13.52	12.69	11.93	11.49	9.86	8.68
1"	18.14	18.14	16.80	16.22	15.36	12.69	11.93	11.49	9.86	8.68
1-1/2"	25.41	25.41	23.53	22.71	21.51	12.69	11.93	11.49	9.86	8.68
2"	36.31	36.31	33.62	32.45	30.73	12.69	11.93	11.49	9.86	8.68
3"	72.61	72.61	67.23	64.89	61.45	12.69	11.93	11.49	9.86	8.68
4"	108.91	108.91	100.84	97.34	92.18	12.69	11.93	11.49	9.86	8.68
6"	181.52	181.52	168.07	162.23	153.63	12.69	11.93	11.49	9.86	8.68
8"	290.41	290.41	268.90	259.56	245.80	12.69	11.93	11.49	9.86	8.68
10"	435.65	435.65	403.38	389.36	368.71	12.69	11.93	11.49	9.86	8.68
12"	580.86	580.86	537.83	519.14	491.61	12.69	11.93	11.49	9.86	8.68
Usage per 100 gallons ^(c)	\$0.3104	\$0.3104	\$0.2874	\$0.2774	\$0.2627					
1,497 gallons – 2,992 gallons	\$0.4657	\$0.4657	\$0.4312	\$0.4162	\$0.3941					
Over 2,992 gallons										
All gallons in excess of 1,496						\$0.3365	\$0.3163	\$0.3047	\$0.2615	\$0.2302

(a) Prior to 2016, Seasonal rate was applied to all billings beginning May 1 and ending on or about September 30 of each year. At all other times, the Standard rate was applied.

(b) Includes the first 1,496 gallons.

(c) Residential sewer charges are computed on the basis of average winter usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or before March 15 of each year.

San Antonio Water System
Schedule 9 - Residential Class Rates (Outside City Limits)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water										
Service Availability Charge by meter size:										
5/8"	\$16.67	\$16.67	\$16.60	\$15.14	\$13.94	\$9.86	\$9.52	\$9.29	\$9.29	\$8.98
3/4"	22.06	22.06	21.97	20.03	18.44	13.82	13.34	13.02	13.02	12.59
1"	32.97	32.97	32.66	29.78	27.42	21.72	20.97	20.47	20.47	19.80
1-1/2"	59.61	59.61	59.37	54.12	49.83	41.52	40.08	39.12	39.12	37.83
2"	91.75	91.75	91.38	83.30	76.70	65.26	62.99	61.48	61.48	59.46
3"	166.84	166.84	166.18	151.49	139.49	120.66	116.47	113.68	113.68	109.94
4"	274.06	274.06	272.97	248.84	229.13	199.78	192.84	188.23	188.23	182.04
6"	542.18	542.18	540.02	492.27	453.29	397.62	383.80	374.62	374.62	362.30
8"	863.89	863.89	860.45	784.37	722.26	635.03	612.96	598.30	598.30	578.63
10"	1,239.24	1,239.24	1,234.30	1,125.16	1,036.06	911.98	880.29	859.24	859.24	830.99
12"	2,311.67	2,311.67	2,302.46	2,098.87	1,932.66	1,703.33	1,644.14	1,604.82	1,604.82	1,552.05
Reduction applied if usage is less than 2,993 gallons:	(3.34)	(3.34)	(3.32)	(3.03)	(2.79)					
Usage (per 100 gallons)										
First 2,992 Gallons	0.0962	0.0962	0.0958	0.0873	\$0.0804					
Next 1,497 Gallons	0.1683	0.1683	0.1676	0.1528	0.1407					
Next 1,496 Gallons	0.2165	0.2165	0.2156	0.1965	0.1809					
Next 1,496 Gallons	0.2645	0.2645	0.2634	0.2401	0.2211					
Next 2,992 Gallons	0.3125	0.3125	0.3113	0.2838	0.2613					
Next 4,489 Gallons	0.3607	0.3607	0.3593	0.3275	0.3016					
Next 5,237 Gallons	0.4328	0.4328	0.4311	0.3930	0.3619					
Over 20,199 Gallons	0.6253	0.6253	0.6228	0.5677	0.5227					
Standard:										
First 5,985 gallons						0.1310	0.1264	0.1234	0.1234	0.1193
Next 6,732 gallons						0.1894	0.1828	0.1784	0.1784	0.1725
Next 4,488 gallons						0.2671	0.2578	0.2516	0.2516	0.2433
Over 17,205 gallons						0.4675	0.4513	0.4405	0.4405	0.4260
Seasonal: ^(a)										
First 5,985 gallons						0.1310	0.1264	0.1234	0.1234	0.1193
Next 6,732 gallons						0.2060	0.1988	0.1940	0.1940	0.1876
Next 4,488 gallons						0.3062	0.2956	0.2885	0.2885	0.2790
Over 17,205 gallons						0.6341	0.6121	0.5975	0.5975	0.5779
Sewer										
Service Availability Charge by meter size ^(b)										
5/8"	\$17.43	\$17.43	\$16.14	\$15.58	\$14.75	\$15.25	\$14.33	\$13.81	\$11.85	\$10.43
3/4"	19.18	19.18	17.76	17.14	16.23	15.25	14.33	13.81	11.85	10.43
1"	21.78	21.78	20.17	19.47	18.44	15.25	14.33	13.81	11.85	10.43
1-1/2"	30.50	30.50	28.24	27.26	25.81	15.25	14.33	13.81	11.85	10.43
2"	43.58	43.58	40.35	38.95	36.88	15.25	14.33	13.81	11.85	10.43
3"	87.12	87.12	80.67	77.87	73.74	15.25	14.33	13.81	11.85	10.43
4"	130.70	130.70	121.02	116.81	110.62	15.25	14.33	13.81	11.85	10.43
6"	217.83	217.83	201.69	194.68	184.36	15.25	14.33	13.81	11.85	10.43
8"	348.52	348.52	322.70	311.49	294.97	15.25	14.33	13.81	11.85	10.43
10"	522.77	522.77	484.05	467.23	442.45	15.25	14.33	13.81	11.85	10.43
12"	697.03	697.03	645.40	622.97	589.93	15.25	14.33	13.81	11.85	10.43
Usage per 100 gallons ^(c)										
1,497 gallons - 2,992 gallons	0.3726	0.3726	0.3450	0.3330	0.3153	0.4038	0.3795	0.3656	0.3138	0.2762
Over 2,992 Gallons	0.5588	0.5588	0.5174	0.4994	0.4729	0.4038	0.3795	0.3656	0.3138	0.2762

(a) Prior to 2016, Seasonal rate was applied to all billings beginning May 1 and ending on or about September 30 of each year. At all other times, the Standard rate was applied.

(b) Includes the first 1,496 gallons.

(c) Per 100 gallons. Residential sewer usage charges are computed on the basis of average winter usage for 90 days during three consecutive billings periods beginning after November 15 and ending on or before March 15 of each year.

San Antonio Water System
Schedule 10 - General Class Rates (Inside City Limits)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water										
Service Availability Charge by meter size:										
5/8"	\$13.86	\$13.86	\$13.80	\$12.58	\$11.58	\$10.53	\$10.16	\$9.92	\$9.92	\$9.59
3/4"	19.79	19.79	19.71	17.97	16.55	15.05	14.53	14.18	14.18	13.71
1"	31.66	31.66	31.53	28.74	26.46	24.08	23.24	22.68	22.68	21.93
1-1/2"	61.29	61.29	61.05	55.65	51.24	46.65	45.03	43.95	43.95	42.50
2"	96.79	96.79	96.40	87.88	80.92	73.74	71.18	69.48	69.48	67.20
3"	179.74	179.74	179.02	163.19	150.27	136.96	132.20	129.04	129.04	124.80
4"	298.19	298.19	297.00	270.74	249.30	227.28	219.38	214.13	214.13	207.09
6"	594.32	594.32	591.95	539.61	496.88	453.06	437.32	426.86	426.86	412.82
8"	949.73	949.73	945.95	862.31	794.02	723.99	698.83	682.12	682.12	659.69
10"	1,364.34	1,364.34	1,358.90	1,238.74	1,140.64	1,040.08	1,003.94	979.93	979.93	947.71
12"	2,548.96	2,548.96	2,538.80	2,314.31	2,131.04	1,943.21	1,875.69	1,830.83	1,830.83	1,770.63
Usage (per 100 gallons)										
Base ^(a)	0.1810	0.1810	0.1803	0.1644	0.1514	0.1218	0.1176	0.1148	0.1148	0.1110
100-125% of base	0.2084	0.2084	0.2076	0.1892	0.1742	0.1457	0.1406	0.1372	0.1372	0.1327
125-150% of base	0.2717	0.2717	0.2706	0.2467	0.2272	0.2042	0.1971	0.1924	0.1924	0.1861
Over 175% of base	0.3171	0.3171	0.3158	0.2879	0.2651	0.2991	0.2887	0.2818	0.2818	0.2725
Sewer										
Service Availability Charge by Meter Size ^(b)										
5/8"	\$14.53	\$14.53	\$13.45	\$12.98	\$12.29	\$12.69	\$11.93	\$11.49	\$9.86	\$8.68
3/4"	15.97	15.97	14.79	14.28	13.52	12.69	11.93	11.49	9.86	8.68
1"	18.14	18.14	16.80	16.22	15.36	12.69	11.93	11.49	9.86	8.68
1-1/2"	25.41	25.41	23.53	22.71	21.51	12.69	11.93	11.49	9.86	8.68
2"	36.31	36.31	33.62	32.45	30.73	12.69	11.93	11.49	9.86	8.68
3"	72.61	72.61	67.23	64.89	61.45	12.69	11.93	11.49	9.86	8.68
4"	108.91	108.91	100.84	97.34	92.18	12.69	11.93	11.49	9.86	8.68
6"	181.52	181.52	168.07	162.23	153.63	12.69	11.93	11.49	9.86	8.68
8"	290.41	290.41	268.90	259.56	245.80	12.69	11.93	11.49	9.86	8.68
10"	435.65	435.65	403.38	389.36	368.71	12.69	11.93	11.49	9.86	8.68
12"	580.86	580.86	537.83	519.14	491.61	12.69	11.93	11.49	9.86	8.68
Usage (per 100 gallons)										
All gallons in excess of 1,496	0.4159	0.4159	0.3851	0.3717	0.3520	0.3365	0.3163	0.3047	0.2615	0.2302

(a) Since 2010, base has been defined as 100% of the previous year's annual usage divided by 12.

(b) Per 100 gallons. Includes the first 1,496 gallons.

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San Antonio Water System
Schedule 11 - General Class Rates (Outside City Limits)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water										
Service Availability Charge by meter size:										
5/8"	\$16.94	\$16.94	\$16.87	\$15.38	\$14.16	\$13.69	\$13.21	\$12.89	\$12.89	\$12.47
3/4"	24.12	24.12	24.02	21.90	20.17	19.56	18.88	18.43	18.43	17.82
1"	38.45	38.45	38.30	34.91	32.15	31.29	30.20	29.48	29.48	28.51
1-1/2"	74.27	74.27	73.97	67.43	62.09	60.65	58.54	57.14	57.14	55.26
2"	117.20	117.20	116.73	106.41	97.98	95.87	92.54	90.33	90.33	87.36
3"	217.47	217.47	216.60	197.45	181.81	178.06	171.87	167.76	167.76	162.24
4"	360.65	360.65	359.21	327.45	301.52	295.46	285.19	278.37	278.37	269.22
6"	718.67	718.67	715.81	652.52	600.85	588.98	568.51	554.91	554.91	536.66
8"	1,148.31	1,148.31	1,143.74	1,042.61	960.05	941.20	908.49	886.76	886.76	857.60
10"	1,649.54	1,649.54	1,642.97	1,497.69	1,379.09	1,352.11	1,305.13	1,273.92	1,273.92	1,232.03
12"	3,081.65	3,081.65	3,069.37	2,797.97	2,576.40	2,526.17	2,438.39	2,380.08	2,380.08	2,301.82
Usage (per 100 gallons)										
Base ^(a)	0.2354	0.2354	0.2345	0.2138	0.1969	0.1584	0.1529	0.1492	0.1492	0.1443
100-125% of base	0.2710	0.2710	0.2699	0.2460	0.2265	0.1893	0.1827	0.1783	0.1783	0.1724
125-150% of base	0.3533	0.3533	0.3519	0.3208	0.2954	0.2654	0.2562	0.2501	0.2501	0.2419
Over 175% of base	0.4121	0.4121	0.4105	0.3742	0.3446	0.3887	0.3752	0.3662	0.3662	0.3542
Sewer										
Service Availability Charge by Meter Size ^(b)										
5/8"	\$17.43	\$17.43	\$16.14	\$15.58	\$14.75	\$15.25	\$14.33	\$13.81	\$11.85	\$10.43
3/4"	19.18	19.18	17.76	17.14	16.23	15.25	14.33	13.81	11.85	10.43
1"	21.78	21.78	20.17	19.47	18.44	15.25	14.33	13.81	11.85	10.43
1-1/2"	30.50	30.50	28.24	27.26	25.81	15.25	14.33	13.81	11.85	10.43
2"	43.58	43.58	40.35	38.95	36.88	15.25	14.33	13.81	11.85	10.43
3"	87.12	87.12	80.67	77.87	73.74	15.25	14.33	13.81	11.85	10.43
4"	130.70	130.70	121.02	116.81	110.62	15.25	14.33	13.81	11.85	10.43
6"	217.83	217.83	201.69	194.68	184.36	15.25	14.33	13.81	11.85	10.43
8"	348.52	348.52	322.70	311.49	294.97	15.25	14.33	13.81	11.85	10.43
10"	522.77	522.77	484.05	467.23	442.45	15.25	14.33	13.81	11.85	10.43
12"	697.03	697.03	645.40	622.97	589.93	15.25	14.33	13.81	11.85	10.43
Usage (per 100 gallons)										
All gallons in excess of 1,496	0.4992	0.4992	0.4622	0.4461	0.4224	0.4038	0.3795	0.3656	0.3138	0.2762

- (a) Since 2010, base has been defined as 100% of the previous year's annual usage divided by 12.
(b) Per 100 gallons. Includes the first 1,496 gallons.

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San Antonio Water System
Schedule 12 - Wholesale Class Rates

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water										
Service Availability Charge by meter size:										
6"	\$538.85	\$538.85	\$536.70	\$489.24	\$450.50	\$397.62	\$383.80	\$374.62	\$374.62	\$362.30
8"	860.58	860.58	857.15	781.36	719.48	635.03	612.96	598.30	598.30	578.63
10"	1,235.91	1,235.91	1,230.99	1,122.14	1,033.28	911.98	880.29	859.24	859.24	830.99
12"	2,308.35	2,308.35	2,299.15	2,095.85	1,929.88	1,703.33	1,644.14	1,604.82	1,604.82	1,552.05
Usage (<i>per 100 gallons</i>)										
Base ^(a)	0.2099	0.2099	0.2091	0.1906	0.1755					
Over base	0.6299	0.6299	0.6274	0.5719	0.5266					
Usage (<i>per 100 gallons</i>)										
Base ^(a)						0.1098	0.1060	0.1035	0.1035	0.1001
100-125% of base						0.1650	0.1593	0.1555	0.1555	0.1504
125-175% of base						0.2383	0.2300	0.2245	0.2245	0.2171
Over 175% of base						0.3369	0.3252	0.3174	0.3174	0.3070
Sewer										
Service Availability Charge	\$340.07	\$340.07	\$314.88	\$303.94	\$287.82	\$149.02	\$140.06	\$134.93	\$115.82	\$101.95
Usage (<i>per 100 gallons</i>)	0.4438	0.4438	0.4109	0.3966	0.3756	0.3641	0.3422	0.3297	0.2830	0.2491

(a) Base is defined as 100% of the previous year's average annual usage divided by twelve or (effective June 18, 2015) as agreed to by the wholesale customer and approved by the SAWS' Board.

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San Antonio Water System
Schedule 13 - Irrigation Class Rates

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Inside City Limits										
Service Availability Charge by meter size:										
5/8"	\$13.86	\$13.86	\$13.80	\$12.58	\$11.58	\$10.53	\$10.16	\$9.92	\$9.92	\$9.59
3/4"	19.79	19.79	19.71	17.97	16.55	15.05	14.53	14.18	14.18	13.71
1"	31.66	31.66	31.53	28.74	26.46	24.08	23.24	22.68	22.68	21.93
1-1/2"	61.29	61.29	61.05	55.65	51.24	46.65	45.03	43.95	43.95	42.50
2"	96.79	96.79	96.40	87.88	80.92	73.74	71.18	69.48	69.48	67.20
3"	179.74	179.74	179.02	163.19	150.27	136.96	132.20	129.04	129.04	124.80
4"	298.19	298.19	297.00	270.74	249.30	227.28	219.38	214.13	214.13	207.09
6"	594.32	594.32	591.95	539.61	496.88	453.06	437.32	426.86	426.86	412.82
8"	949.73	949.73	945.95	862.31	794.02	723.99	698.83	682.12	682.12	659.69
10"	1,364.34	1,364.34	1,358.90	1,238.74	1,140.64	1,040.08	1,003.94	979.93	979.93	947.71
12"	2,548.96	2,548.96	2,538.80	2,314.31	2,131.04	1,943.21	1,875.69	1,830.83	1,830.83	1,770.63
Usage (per 100 gallons)										
First 8,229 gallons	0.3292	0.3292	0.3279	0.2989	0.2752					
Next 9,725 gallons	0.4607	0.4607	0.4589	0.4183	0.3852					
Next 144,362 gallons	0.5925	0.5925	0.5901	0.5379	0.4953					
Over 163,316 gallons	0.7570	0.7570	0.7540	0.6873	0.6329					
Standard:										
First 6,732 gallons						0.1713	0.1653	0.1613	0.1613	0.1560
Next 10,473 gallons						0.2053	0.1982	0.1935	0.1935	0.1871
Over 17,205 gallons						0.3596	0.3471	0.3388	0.3388	0.3277
Seasonal: ^(a)										
First 6,732 gallons						0.1713	0.1653	0.1613	0.1613	0.1560
Next 10,473 gallons						0.2384	0.2301	0.2246	0.2246	0.2172
Over 17,205 gallons						0.4936	0.4764	0.4650	0.4650	0.4497
Outside City Limits										
Service Availability Charge by meter size:										
5/8"	\$16.94	\$16.94	16.87	15.38	14.16	13.69	13.21	12.89	12.89	12.47
3/4"	24.12	24.12	24.02	21.90	20.17	19.56	18.88	18.43	18.43	17.82
1"	38.45	38.45	38.30	34.91	32.15	31.29	30.20	29.48	29.48	28.51
1-1/2"	74.27	74.27	73.97	67.43	62.09	60.65	58.54	57.14	57.14	55.26
2"	117.20	117.20	116.73	106.41	97.98	95.87	92.54	90.33	90.33	87.36
3"	217.47	217.47	216.60	197.45	181.81	178.06	171.87	167.76	167.76	162.24
4"	360.65	360.65	359.21	327.45	301.52	295.46	285.19	278.37	278.37	269.22
6"	718.67	718.67	715.81	652.52	600.85	588.98	568.51	554.91	554.91	536.66
8"	1,148.31	1,148.31	1,143.74	1,042.61	960.05	941.20	908.49	886.76	886.76	857.60
10"	1,649.54	1,649.54	1,642.97	1,497.69	1,379.09	1,352.11	1,305.13	1,273.92	1,273.92	1,232.03
12"	3,081.65	3,081.65	3,069.37	2,797.97	2,576.40	2,526.17	2,438.39	2,380.08	2,380.08	2,301.82
Usage (per 100 gallons)										
First 8,229 gallons	0.4279	0.4279	0.4262	0.3885	0.3577					
Next 9,725 gallons	0.5991	0.5991	0.5967	0.5439	0.5008					
Next 144,362 gallons	0.7702	0.7702	0.7671	0.6993	0.6439					
Over 163,316 gallons	0.9841	0.9841	0.9802	0.8935	0.8227					
Standard:										
First 6,732 gallons						0.2225	0.2148	0.2097	0.2097	0.2028
Next 10,473 gallons						0.2670	0.2577	0.2515	0.2515	0.2432
Over 17,205 gallons						0.4675	0.4513	0.4405	0.4405	0.4260
Seasonal: ^(a)										
First 6,732 gallons						0.2225	0.2148	0.2097	0.2097	0.2028
Next 10,473 gallons						0.3100	0.2992	0.2920	0.2920	0.2824
Over 17,205 gallons						0.6416	0.6193	0.6045	0.6045	0.5846

(a) Seasonal rate was applied to all billings beginning May 1 and ended on or about September 30 of each year. At all other times, the Standard rate was applied.

San Antonio Water System
Schedule 14 - Other Fees

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water Supply Fees^(a):										
Usage (per 100 gallons)										
Residential Class										
First 2,992 gallons	\$0.1585	\$0.140	\$0.0997	\$0.0954	\$0.0892					
Next 1,497 gallons	0.2772	0.1819	0.1744	0.1669	0.1561					
Next 1,496 gallons	0.3563	0.2338	0.2242	0.2145	0.2007					
Next 1,496 gallons	0.4357	0.2859	0.2741	0.2623	0.2454					
Next 2,992 gallons	0.5150	0.3379	0.3240	0.3100	0.2900					
Next 4,489 gallons	0.5942	0.3899	0.3738	0.3577	0.3346					
Next 5,237 gallons	0.7129	0.4678	0.4485	0.4292	0.4015					
Over 20,199 gallons	1.0296	0.6756	0.6477	0.6198	0.5798					
First 5,985 gallons						\$0.1285	\$0.1223	\$0.1080	\$0.1054	\$0.1023
Next 6,732 gallons						0.1858	0.1768	0.1562	0.1524	0.1480
Next 4,488 gallons						0.2622	0.2495	0.2204	0.2150	0.2087
Over 17,205 gallons						0.4589	0.4366	0.3857	0.3763	0.3653
General Class										
Base ^(b)	0.2989	0.1961	0.1880	0.1799	0.1683	0.1976	0.1880	0.1661	0.1620	0.1573
100-125% of base	0.3438	0.2256	0.2163	0.2070	0.1936	0.1976	0.1880	0.1661	0.1620	0.1573
125-175% of base	0.4482	0.2941	0.2820	0.2699	0.2525	0.1976	0.1880	0.1661	0.1620	0.1573
Over 175% of base	0.5232	0.3433	0.3291	0.3149	0.2946	0.1976	0.1880	0.1661	0.1620	0.1573
Wholesale Class										
Base ^(c)	0.3892	0.2554	0.2449	0.2344	0.2193	0.1976	0.1880	0.1661	0.1620	0.1573
Over base	1.1681	0.7665	0.7349	0.7033	0.6579	0.1976	0.1880	0.1661	0.1620	0.1573
Irrigation Class										
First 8,229 gallons	0.3911	0.2566	0.2460	0.2354	0.2202					
Next 9,725 gallons	0.5474	0.3592	0.3444	0.3296	0.3083					
Next 144,362 gallons	0.7039	0.4619	0.4429	0.4238	0.3964					
Over 162,316 gallons	0.8996	0.5903	0.5660	0.5416	0.5066					
First 6,732 gallons						0.1976	0.1880	0.1661	0.1620	0.1573
Next 10,473 gallons						0.2622	0.2495	0.2204	0.2150	0.2087
Over 17,205 gallons						0.4976	0.4735	0.4183	0.4081	0.3962
EAA Fee ^(d)	0.03452	0.03561	0.03533	0.03612	0.04259	0.03311	0.03295	0.03425	0.03901	0.01407
State-Imposed TCEQ Fees^(e)										
Water Connection Fee	0.21	0.20	0.20	0.18	0.18	0.18	0.18	0.17	0.17	0.19
Wastewater Connection Fee	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.05

(a) Applies to all billed potable water.

(b) Base is defined as 100% of the previous average annual usage divided by twelve.

(c) Base is defined as 100% of the previous average annual usage or (effective June 18, 2015) as agreed to by the wholesale customer and approved by the Board.

(d) Per 100 gallons. Applies to all billed potable water. Purpose of fee is to recover fees paid to EAA for permitted water rights. Annual rate takes into account any cumulative deficit or surplus in the recovery, number of EAA water rights, and projected water sales (in gallons) for the year.

(e) Purpose is to recover fees paid to TCEQ. Each fee is assessed monthly to all Residential, General, and Wholesale accounts as well as each apartment account based on the number of units. Annual rate takes into account any cumulative deficit or surplus in the recovery.

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San Antonio Water System
Schedule 15 - Recycled Water Rates

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Edwards Exchange Customers^(a)										
Service Availability Charge by meter size:										
5/8"	\$14.71	\$12.34	\$12.12	\$11.24	\$10.42	\$9.51	\$9.26	\$9.04	\$9.04	\$8.74
3/4"	19.13	16.05	15.77	14.63	13.56	12.37	12.05	11.76	11.76	11.37
1"	24.94	20.92	20.55	19.06	17.66	16.11	15.69	15.31	15.31	14.81
1-1/2"	39.62	33.24	32.65	30.29	28.07	25.61	24.95	24.35	24.35	23.55
2"	57.93	48.60	47.74	44.29	41.05	37.45	36.48	35.61	35.61	34.44
3"	154.09	129.27	126.98	117.79	109.17	99.61	97.03	94.71	94.71	91.60
4"	229.04	192.15	188.75	175.09	162.27	148.06	144.22	140.77	140.77	136.14
6"	436.90	366.53	360.05	334.00	309.55	282.44	275.12	268.54	268.54	259.71
8"	658.58	552.50	542.73	503.46	466.60	425.73	414.70	404.78	404.78	391.47
10"	903.06	757.60	744.20	690.35	639.81	583.77	568.64	555.04	555.04	536.79
12"	1,114.22	934.75	918.22	851.78	789.42	720.77	701.61	684.83	684.83	662.31
Usage (<i>per 100 gallons</i>)										
Standard:										
Transferred amount	0.0387	0.0325	0.0319	0.0296	0.0274	0.0250	0.0244	0.0238	0.0238	0.0230
In excess of transferred amount	0.1452	0.1218	0.1196	0.1109	0.1028	0.0938	0.0914	0.0892	0.0892	0.0863
Seasonal: ^(b)										
Transferred amount	0.0387	0.0325	0.0319	0.0296	0.0274	0.0250	0.0244	0.0238	0.0238	0.0230
In excess of transferred amount	0.1542	0.1294	0.1271	0.1179	0.1093	0.0997	0.0971	0.0948	0.0948	0.0917
Non-exchange Customers										
Service Availability Charge by meter size:										
5/8"	14.71	12.34	12.12	11.24	10.42	\$9.51	\$9.26	\$9.04	\$9.04	\$8.74
3/4"	19.13	16.05	15.77	14.63	13.56	12.37	12.05	11.76	11.76	11.37
1"	24.94	20.92	20.55	19.06	17.66	16.11	15.69	15.31	15.31	14.81
1-1/2"	39.62	33.24	32.65	30.29	28.07	25.61	24.95	24.35	24.35	23.55
2"	57.93	48.60	47.74	44.29	41.05	37.45	36.48	35.61	35.61	34.44
3"	154.09	129.27	126.98	117.79	109.17	99.61	97.03	94.71	94.71	91.60
4"	229.04	192.15	188.75	175.09	162.27	148.06	144.22	140.77	140.77	136.14
6"	436.90	366.53	360.05	334.00	309.55	282.44	275.12	268.54	268.54	259.71
8"	658.58	552.50	542.73	503.46	466.60	425.73	414.70	404.78	404.78	391.47
10"	903.06	757.60	744.20	690.35	639.81	583.77	568.64	555.04	555.04	536.79
12"	1,114.22	934.75	918.22	851.78	789.42	720.27	701.61	684.83	684.83	662.31
Usage (<i>per 100 gallons</i>)										
Standard:										
First 748,000 gallons	0.1553	0.1303	0.1280	0.1187	0.1100	0.1004	0.0978	0.0955	0.0955	0.0924
Over 748,000 gallons	0.1588	0.1332	0.1308	0.1213	0.1124	0.1026	0.0999	0.0975	0.0975	0.0943
Seasonal: ^(b)										
First 748,000 gallons	0.1670	0.1401	0.1376	0.1276	0.1183	0.1079	0.1051	0.1026	0.1026	0.0992
Over 748,000 gallons	0.1684	0.1413	0.1388	0.1288	0.1194	0.1089	0.1061	0.1036	0.1036	0.1002

(a) Customers that have transferred Edwards Aquifer water rights to the System in exchange for recycled water.

(b) Prior to 2012, rate was applied to all billings beginning July 1 and ending on or about October 31 of each year. At all other times, the Standard rate was utilized. Beginning in 2012, rate is applied to all billings beginning May 1 and ending on or about September 30 of each year. At all other times, the Standard rate is utilized.

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**San Antonio Water System
Schedule 16 - Impact Fees**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water										
Flow – All Areas	\$1,188.00	\$1,188.00	\$1,182.00	\$1,182.00	\$1,182.00	\$1,182.00	\$1,182.00	\$1,247.00	\$1,247.00	\$1,247.00
System Development:										
Low Elevation Service Area	855.00	855.00	619.00	619.00	619.00	619.00	619.00	579.00	579.00	579.00
Middle Elevation Service Area	1,014.00	1,014.00	799.00	799.00	799.00	799.00	799.00	774.00	774.00	774.00
High Elevation Service Area	1,203.00	1,203.00	883.00	883.00	883.00	883.00	883.00	966.00	966.00	966.00
Wastewater										
Treatment:										
Dos Rios/Leon Creek Service Area	651.00	651.00	786.00	786.00	786.00	786.00	786.00	552.00	552.00	552.00
Medio Creek	1,222.00	1,222.00	1,429.00	1,429.00	1,429.00	1,429.00	1,429.00	1,379.00	1,379.00	1,379.00
Upper and Lower Service Area										
Far West-Medio Service Areas										
Collection:										
Medio Creek	861.00	861.00	838.00	838.00	838.00	838.00	838.00	582.00	582.00	582.00
Upper Medina	1,422.00	1,422.00	1,565.00	1,565.00	1,565.00	1,565.00	1,565.00	1,053.00	1,053.00	1,053.00
Lower Medina	520.00	520.00	475.00	475.00	475.00	475.00	475.00	594.00	594.00	594.00
Upper Collection	2,800.00	2,800.00	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	1,795.00	1,795.00	1,795.00
Middle Collection	2,013.00	2,013.00	1,469.00	1,469.00	1,469.00	1,469.00	1,469.00	1,142.00	1,142.00	1,142.00
Lower Collection	902.00	902.00	719.00	719.00	719.00	719.00	719.00	552.00	552.00	552.00
Lower Service Area										
Upper Service Area										
Far West – Medio Service Area										
Far West – Potranco, Big Sous, & Lucas Service Area										
Water Supply – All Areas^(a)	2,706.00	2,706.00	2,796.00	2,796.00	2,796.00	2,796.00	1,590.00	1,297.00	1,297.00	1,297.00

(a) 2015 rate effective June 1, 2015.

Impact fees are assessed per equivalent dwelling unit.

Meter Size	EQUIVALENT DWELLING UNITS									
5/8"	1	1	1	1	1	1	1	1	1	1
3/4"	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
1"	2	2	2	2	2	2	2	2	2	2
1-1/2"	5	5	5	5	5	5	5	5	5	5
2"	14	14	14	14	14	14	14	14	14	14
3"	30	30	30	30	30	30	30	30	30	30
4"	50	50	50	50	50	50	50	50	50	50
6"	105	105	105	105	105	105	105	105	105	105
8"	135	135	135	135	135	135	135	135	135	135
10"	190	190	190	190	190	190	190	190	190	190
12"	360	360	360	360	360	360	360	360	360	360

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San Antonio Water System
Schedule 17 - Ten Largest Customers – Water
Current Year and Nine Years Ago

Customer	Principal Business	Usage^(a) (million gallons)	%	Total Revenue^(b) (in thousands)	%
Fiscal Year Ended December 31, 2020:					
CITY OF SAN ANTONIO	Municipal Entity	518	0.8	\$ 4,341	0.8
HEB GROCERY	Grocery	584	0.9	3,702	0.7
SAN ANTONIO HOUSING AUTHORITY	Public Housing	461	0.7	2,836	0.5
METHODIST HEALTH CARE SYSTEM	Hospital System	305	0.5	2,544	0.5
BEXAR COUNTY	County Government	398	0.6	2,378	0.5
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	225	0.3	1,892	0.4
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	216	0.3	1,820	0.4
EAST CENTRAL SPECIAL UTILITY DISTRICT	Retail Water Utility	248	0.4	1,613	0.3
NORTHEAST INDEPENDENT SCHOOL DISTRICT	School System	204	0.3	1,522	0.3
CPS ENERGY	Public Power Utility	250	0.4	1,495	0.3
Subtotal (10 largest)		3,410	5.1	24,144	4.7
Balance from Other Customers		63,783	94.9	493,393	95.3
Total		67,193	100.0	\$ 517,537	100.0

Fiscal Year Ended December 31, 2011:

HEB GROCERY	Grocery	551	0.9	\$ 2,483	1.0
SAN ANTONIO HOUSING AUTHORITY	Public Housing	503	0.9	1,794	0.7
BEXAR COUNTY	County Government	462	0.8	1,615	0.7
L & H PACKING COMPANY	Beef Processor	322	0.5	1,277	0.5
CITY OF SAN ANTONIO	Municipal Entity	339	0.6	1,132	0.5
MAXIM INTEGRATED PRODUCT	Electronics	282	0.5	920	0.4
OAK FARMS DIARY	Dairy Producer	203	0.3	819	0.3
FRITO LAY, INC.	Food Manufacturer	172	0.3	774	0.3
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	242	0.4	716	0.3
TOYOTA	Automobile Manufacturer	116	0.2	689	0.3
Subtotal (10 largest)		3,192	5.40	12,219	5.07
Balance from Other Customers		55,941	94.60	228,970	94.93
Total		59,133	100.00	\$ 241,189	100.00

(a) Potable water only.

(b) Includes Water Delivery, Water Supply, EAA fees, Conservation fees, and TCEQ water fees.

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San Antonio Water System
Schedule 18 - Ten Largest Customers - Wastewater
Current Year and Nine Years Ago

Customer	Principal Business	Usage (million gallons)	%	Total Revenue (in thousands)	%
Fiscal Year Ended December 31, 2020:					
HEB GROCERY	Grocery	502	1.1	\$ 3,180	1.2
SAN ANTONIO HOUSING AUTHORITY	Public Housing	452	1.0	1,975	0.8
BEXAR COUNTY	County Government	377	0.8	1,684	0.6
CITY OF SAN ANTONIO	Municipal Entity	227	0.5	1,166	0.4
METHODIST HEALTH CARE SYSTEM	Hospital System	219	0.5	946	0.4
TOYOTA	Automobile Manufacturer	208	0.4	907	0.3
TOWERJAZZ TEXAS, INC.	Electronics	209	0.4	874	0.3
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	125	0.3	688	0.3
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	154	0.3	654	0.3
FRITO LAY, INC.	Food Manufacturer	87	0.2	644	0.2
Subtotal (10 largest)		2,559	5.4	12,718	4.9
Balance from Other Customers		4,716	94.6	248,184	95.1
Total		47,275	100.00	\$ 260,902	100.00
Fiscal Year Ended December 31, 2011:					
HEB GROCERY	Grocery	411	0.87	\$ 1,865	1.31
SAN ANTONIO HOUSING AUTHORITY	Public Housing	500	1.05	1,160	0.82
BEXAR COUNTY	County Government	282	0.59	723	0.51
L & H PACKING COMPANY	Beef Processor	166	0.35	676	0.48
CITY OF SAN ANTONIO	Municipal Entity	202	0.43	494	0.35
MAXIM INTEGRATED PRODUCT, INC.	Electronics	214	0.45	494	0.35
OAK FARMS DAIRY	Dairy Producer	54	0.11	474	0.33
FRITO LAY, INC.	Food Manufacturer	66	0.14	406	0.29
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	167	0.35	399	0.28
TOYOTA	Automobile Manufacturer	158	0.33	385	0.27
Subtotal (10 largest)		2,220	4.67	7,076	4.97
Balance from Other Customers		45,285	95.33	135,176	95.03
Total		47,505	100.00	\$ 142,252	100.00

Excludes Wholesale Wastewater usage and revenues.

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San Antonio Water System
Schedule 19 - Ten Largest Customers - Wholesale Wastewater
Current Year and Nine Years Ago
Unaudited

Customer	Principal Business	Total Revenue (in thousands)	%
Fiscal Year Ended December 31, 2020:			
LACKLAND AIR FORCE BASE	Military	\$ 3,651	30.9
JOINT BASE SAN ANTONIO - FT. SAM HOUSTON	Military	2,320	19.6
LEON VALLEY	Municipal Government	1,551	13.1
ALAMO HEIGHTS	Municipal Government	1,238	10.5
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	788	6.7
KIRBY	Municipal Government	619	5.2
BALCONES HEIGHTS	Municipal Government	575	4.9
OLMOS PARK	Municipal Government	474	4.0
LACKLAND ANNEX	Military	334	2.8
AIR FORCE VILLAGE II	Military	122	1.0
Subtotal (10 largest)		11,671	98.7
Balance from Other Customers		158	1.3
Total		\$ 11,829	100.00
Fiscal Year Ended December 31, 2011:			
FT. SAM HOUSTON	Military	\$ 1,078	17.7
LEON VALLEY	Municipal Government	999	16.4
ALAMO HEIGHTS	Municipal Government	977	16.0
LACKLAND AIR FORCE BASE	Military	899	14.7
BEXAR COUNTY WATER CONTROL DISTRICT NO. 10	County Government	555	9.1
BALCONES HEIGHTS	Municipal Government	378	6.2
KIRBY	Municipal Government	345	5.7
OLMOS PARK	Municipal Government	305	5.0
LACKLAND AIR FORCE BASE/ANNEX @ MEDINA	Military	193	3.2
AIR FORCE VILLAGE II	Military	178	2.9
Subtotal (10 largest)		5,907	96.8
Balance from Other Customers		198	3.2
		\$ 6,105	100.00

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San Antonio Water System
Schedule 20 - Ratios of Total Outstanding Debt by Type
(\$ in thousands, except debt per customer)
Unaudited

Year	Total Debt Outstanding by Type					Total Debt Outstanding	Gross Revenues ^(c)	Ratio of Total Debt to Gross Revenue	Customer Connections ^(d)	Debt Per Customer Connection
	Principal Outstanding	Unamortized Premium & Discount	Net Revenue Bonds Payable	Commercial Paper Notes ^(a)	Other Debt ^(b)					
2020	\$2,771,580	\$262,465	\$3,034,045	\$218,260	-	\$3,252,305	\$804,258	4.04	1,002,870	\$3,243
2019	2,546,520	188,555	2,735,075	281,815	-	3,016,890	765,762	3.94	977,536	3,086
2018	2,631,215	203,355	2,834,570	215,695	-	3,050,265	713,534	4.27	958,693	3,182
2017	2,537,520	198,219	2,735,739	278,060	-	3,013,799	677,159	4.45	941,566	3,201
2016	2,630,350	209,932	2,840,282	241,610	-	3,081,892	630,603	4.89	926,165	3,328
2015	2,600,096	130,267	2,730,363	135,305	88,700	2,954,368	563,111	5.25	912,430	3,238
2014	2,398,555	108,864	2,507,419	138,550	-	2,645,969	505,435	5.24	798,177	3,315
2013	2,240,915	107,919	2,348,834	186,655	-	2,535,489	467,749	5.42	784,209	3,233
2012	1,987,810	95,735	2,083,545	170,745	-	2,254,290	444,677	4.85	777,374	2,777
2011	1,894,230	4,609	1,898,839	214,930	-	2,113,769	424,049	4.97	765,400	2,756

(a) Details regarding outstanding revenue bonds and commercial paper notes can be found in the notes to the financial statements.

(b) Includes notes payable and capital leases payable.

(c) Gross revenues are defined as operating revenues plus nonoperating revenues.

(d) Customer connections represent the combined number of billed accounts for water and wastewater services at fiscal year-end. Increase in connections from 2014 to 2015 is primarily due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

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San Antonio Water System
Schedule 21 - Pledged Revenue Coverage
(\$ in thousands)
Unaudited

<u>Year</u>	<u>Gross Revenues^(b)</u>	<u>Operating Expenses^(c)</u>	<u>Net Available Revenue</u>	<u>Revenue Bond Debt Service^(a)</u>				<u>Maximum Annual Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest^(d)</u>	<u>Total</u>	<u>Coverage</u>	<u>Total Debt^(e)</u>	<u>Coverage</u>	<u>Senior Lien Debt^(e)</u>	<u>Coverage^(f)</u>
2020	\$804,258	\$401,961	\$402,297	\$86,445	\$104,566	\$191,011	2.11	\$210,885	1.91	\$41,548	9.68
2019*	750,849	339,934	410,915	87,060	104,831	191,891	2.14	195,567	2.10	47,455	8.66
2018**	704,279	324,593	379,686	84,875	103,922	188,797	2.01	194,518	1.95	81,428	4.66
2017	668,998	318,442	350,556	82,840	102,236	185,076	1.89	185,076	1.89	81,440	4.30
2016	622,947	315,395	307,552	78,570	98,158	176,728	1.74	185,149	1.66	84,009	3.66
2015	555,712	291,246	264,466	71,355	101,064	172,419	1.53	178,516	1.48	114,320	2.31
2014	498,334	245,055	253,279	57,850	91,704	149,554	1.69	160,510	1.58	117,126	2.16
2013	460,776	244,348	216,428	47,315	86,058	133,373	1.62	152,496	1.42	117,126	1.85
2012	437,253	237,576	199,677	44,780	80,320	125,100	1.60	138,420	1.44	122,816	1.63
2011	417,077	209,058	208,019	39,730	79,534	119,264	1.74	132,226	1.57	112,715	1.85

* The 2019 Maximum Annual Debt Service Senior Lien Debt reflects the 2019 senior lien debt.

** In 2018, the pledged revenue calculation began excluding non-cash revenues and expenses.

(a) Represents current year debt service payments. Details regarding outstanding debt can be found in the notes to the financial statements. All bonded debt is secured by revenue and is included in these totals.

(b) Gross Revenues are defined as operating revenues plus nonoperating revenues less revenues from the City Public Service contract, interest on Project Funds and federal subsidy on Build America Bonds. Beginning in 2018, investment mark to market adjustments were also excluded.

(c) Operating Expenses reflect operating expenses before depreciation as shown on the Statement of Revenues, Expenses, and Changes in Net Position adjusted by any non-cash expenses.

(d) Interest reported net of the U.S. federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

(e) Debt service requirements consist of principal and interest payments net of the U.S. federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

(f) SAWS' bond ordinances require the maintenance of a debt coverage ratio of at least 1.25x the maximum annual debt service on outstanding Senior Lien Obligations in order to issue additional bonds.

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Schedule 22 - Demographic and Economic Statistics
Last Ten Calendar Years
Unaudited

Year	Population^(a)	Median Age^(a)	Personal Income^(a) (thousands of dollars)	Per Capita Personal Income^(a)	School Enrollment^(a)	Building Permits-Dwelling Units^(b)	Employment^(c)	Unemployment Rate^(c)
2020*						16,748	1,063,000	6.4%
2019	1,547,253	34.4	\$ 41,506,529	\$ 26,826	411,357	15,919	1,100,200	2.8%
2018	1,536,137	33.6	37,827,377	24,625	411,539	11,497	1,070,400	3.1%
2017	1,517,866	33.5	36,308,882	23,921	401,867	12,509	1,136,835	3.0%
2016	1,469,824	33.1	34,905,380	23,748	403,558	12,241	1,101,524	3.6%
2015	1,436,697	33.2	32,790,329	22,823	401,771	7,824	1,073,329	3.5%
2014	1,416,291	33.0	31,581,326	22,414	407,047	10,334	1,041,494	3.7%
2013	1,383,194	33.2	30,752,552	22,233	397,500	6,129	1,020,845	4.9%
2012	1,359,730	32.7	29,038,394	21,356	396,718	8,005	1,000,015	5.7%
2011	1,326,539	32.8	28,421,098	21,425	392,897	7,127	976,361	6.4%

* 2020 population, median age, personal income, per capita income and school enrollment data was not available. Building permits, employment, and unemployment rate data is preliminary.

(a) Source: 2019 – U.S. Census Bureau; 2011-2018 – Finance Department, City of San Antonio, Texas.

(b) Source: Real Estate Center, Texas A&M University, Building Permits (single & multi-family), San Antonio – New Braunfels Metropolitan Statistical Area.

(c) Source: Texas Workforce Commission, San Antonio – New Braunfels Metropolitan Statistical Area, Total Employment and Unemployment rate.

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**San Antonio Water System
Schedule 23 - Principal Employers
Current Year and Nine Years Ago
Unaudited**

Employer	2020			2011		
	Employees ^(a)	Rank	Percentage of Total City Employment ^(b)	Employees ^(c)	Rank	Percentage of Total City Employment ^(d)
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph ^(c)	73,707	1	6.93%	100,578	1,2,3	11.39%
HEB Food Stores	22,000	2	2.07%	14,588	5	1.65%
USAA	19,400	3	1.83%	15,000	4	1.70%
Northside Independent School District	13,498	4	1.27%	12,244	6	1.39%
City of San Antonio	11,183	5	1.05%	12,211	7	1.38%
Methodist Health Care System	9,620	6	0.90%	7,747	8	0.88%
North East Independent School District	8,386	7	0.79%	-	-	-
San Antonio Independent School District	7,338	8	0.69%	-	-	-
Baptist Health Systems	6,383	9	0.60%	6,310	9	0.71%
Wells Fargo	5,152	10	0.48%	-	-	-
University of Texas Health Science Center				6,153	10	0.70%
Total	176,667		16.61%	150,924		19.80%

Source: Economic Development Division, City of San Antonio, Texas, Book of Lists 2020, and Department of Defense personnel statistics.

- (a) Employment data from City of San Antonio's 2020 Comprehensive Annual Financial Report
(b) Percent based on an Employment Estimate of 1,063,000 of non-farm jobs in the San Antonio-New Braunfels, Texas Metropolitan Statistical Area from the Bureau of Labor Statistics.
(c) In fiscal year 2012, Lackland, Fort Sam and Randolph military operations were consolidated into Joint Base San Antonio. In fiscal year 2011, the employee counts were 52,561, 32,000, and 16,017, respectively.
(d) Percent based on an Employment Estimate of 883,100 of non-farm jobs in the San Antonio-New Braunfels, Texas Metropolitan Statistical Area from Bureau of Labor Statistics.

Table provided courtesy of City of San Antonio Finance Department.

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San Antonio Water System
Schedule 24 - Number of Employees by Functional Group
Unaudited

	2020	2019	2018	2017	Fiscal Year		2014	2013	2012 ^(a)	2011
					2016	2015				
Functional Group										
President/CEO	13	9	9	8	7	10	13	14	16	11
Production & Treatment Operations	267	373	358	299	302	138	131	292	363	353
Distribution & Collection Operations	459	482	517	561	540	485	446	455	482	416
Operation Services	6	7	24	112	112	346	257	116	166	189
Operations Support	105	-	-	-	-	-	-	-	-	-
Sewer System Improvements	28	33	35	33	33	31	31	28	-	-
Public Affairs	52	51	57	51	24	28	26	24	32	32
Customer Service	310	238	230	231	229	233	235	229	222	215
Engineering & Construction	174	180	177	177	166	191	221	202	225	201
Water Resources	117	120	97	19	40	42	138	158	62	62
Financial Services	57	63	60	64	65	67	62	64	52	67
Information Services	93	92	91	89	92	72	65	64	57	57
Human Resources	50	50	42	42	45	42	35	44	27	50
Legal	35	36	36	37	37	39	39	42	44	16
Total Employees	1,766	1,734	1,733	1,723	1,692	1,724	1,699	1,732	1,748	1,669

(a) In 2012, SAWS assumed operational control of the former BexarMet. The employee figures shown above include the employees of the former BexarMet beginning in 2012. As the merger of the former BexarMet into SAWS was not completed until January 1, 2015, a number of these employees were allocated to the special purpose entity formulated to maintain this entity until completion of the merger. The number of employees allocated to this special purpose entity during the years 2012, 2013, and 2014 were 70, 207, and 204, respectively.

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San Antonio Water System
Schedule 25 – Capital Assets
(amounts in thousands)

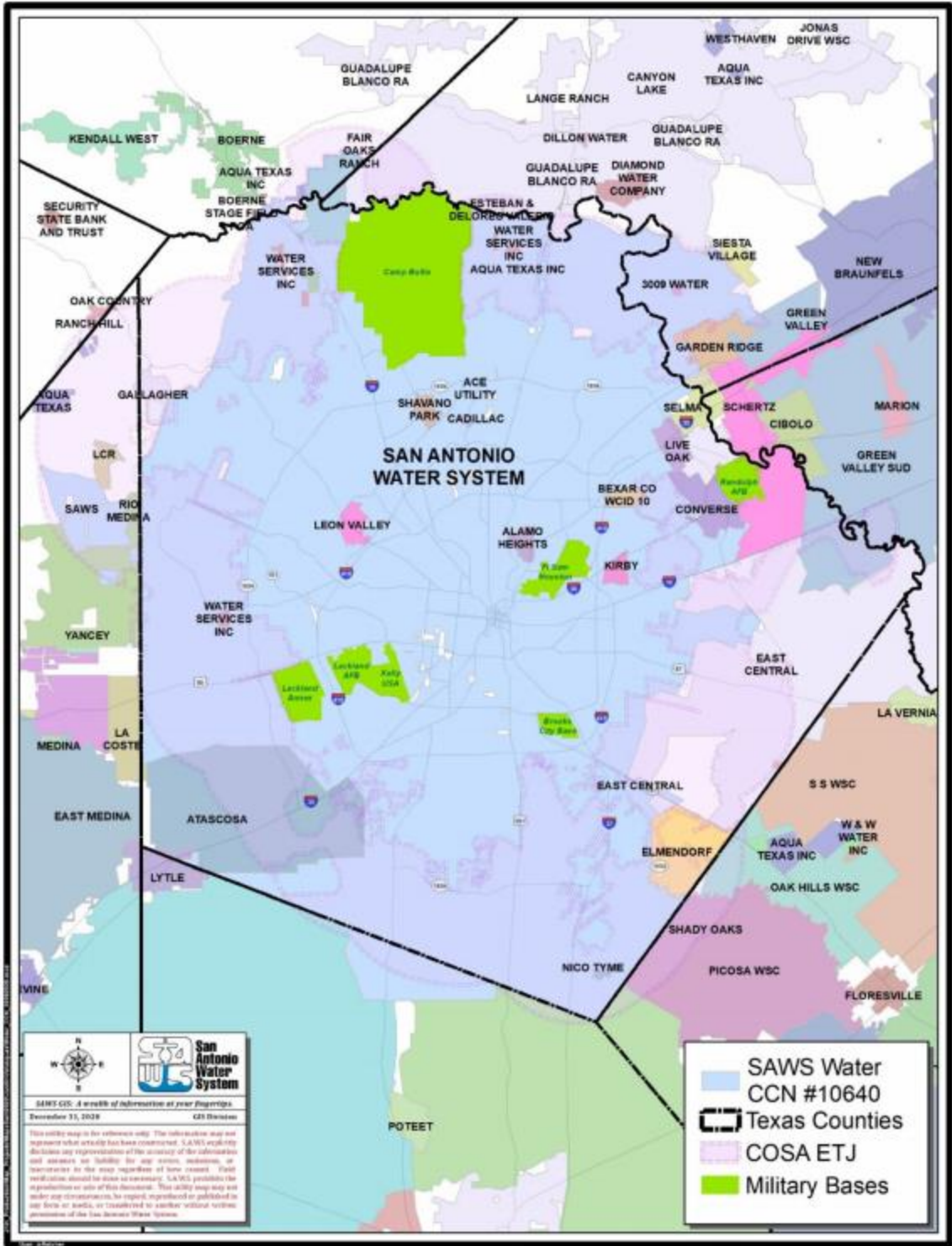
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Water Delivery ^(a)	\$3,002,938	\$2,855,896	\$2,732,899	\$2,760,533	\$2,664,891	\$2,489,921	\$1,998,502	\$1,882,369	\$1,806,882	\$1,680,136
Water Supply:										
Water Resources ^(b)	2,194,284	1,051,909	1,052,048	1,047,530	1,036,861	740,434	708,825	628,445	585,055	556,979
Recycle	178,260	178,213	177,846	181,281	178,219	177,487	159,171	159,059	155,556	152,993
Conservation	471	556	563	561	559	558	511	465	436	444
Stormwater	247	247	310	314	321	354	302	277	211	179
Wastewater	3,229,184	2,997,086	2,813,016	2,796,525	2,702,938	2,551,854	2,390,077	2,202,056	1,968,415	1,858,386
Chilled Water and Steam	68,590	66,710	65,553	61,280	62,800	61,162	51,117	56,929	53,011	52,948
Construction in Progress	521,627	673,633	506,810	332,635	228,595	485,962	368,688	506,829	571,547	522,438
Total assets before accumulated depreciation	9,195,601	7,854,250	7,349,045	7,180,659	6,875,184	6,507,462	5,677,193	5,436,429	5,141,113	4,824,503
Accumulated Depreciation	2,355,308	2,204,823	2,082,961	2,128,882	1,989,093	1,859,676	1,587,715	1,472,429	1,369,885	1,271,438
Net Capital Assets	6,840,293	5,649,427	\$5,266,084	\$5,051,777	\$4,886,091	\$4,647,786	\$4,089,478	\$3,964,000	\$3,771,228	\$3,553,065

(a) Increase in Water Delivery capital assets from 2014 to 2015 is primarily due to the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

(b) Increase in Water Supply/Water Resource capital assets from 2019 to 2020 is primarily due to the addition of the assets from the Vista Ridge Pipeline Project, which commenced operations in April 2020.

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Map 1 – Map of Water Service Area



San Antonio Water System
Schedule 26 – Operating and Capital Indicators – Water
Unaudited

	2020	2019	2018	2017	2016	2015 ^(g)	2014	2013	2012	2011
Rainfall (Inches)	20.7	22.02	41.20	27.33	43.92	44.22	27.63	32.00	39.40	17.58
Customers/Connections ^(a)	529,392	515,981	505,627	496,543	488,705	482,821	373,920	367,408	365,099	360,281
Water Pumpage (Million Gallons)										
Annual Water Pumped	85,547	84,702	85,092	89,843	88,016	83,138	69,834	69,020	70,338	74,627
ASR Recharge ^(b)	2,226	4,430	6,427	11,198	11,159	6,911	1,569	2,629	3,742	3,928
ASR Production ^(b)	3,970	1,281	1,453	462	697	1,903	6,374	4,793	1,446	4,309
Annual Pumped for Usage	83,321	80,271	78,665	78,645	76,857	76,227	68,265	66,391	66,596	70,699
Average Daily	234.0	232.1	233.1	245.6	240.5	227.8	191.3	189.1	192.2	204.5
Maximum Daily	315.0	328.6	301.0	302.8	359.9	335.0	261.0	270.2	264.0	265.6
Metered Usage (Million Gallons)	67,193	65,655	63,660	65,641	63,934	62,896	57,261	55,108	55,320	59,133
Available Water Supply (Million Gallons)										
Permitted Edwards Aquifer rights ^(c)	88,353	88,753	89,989	92,632	93,289	94,144	83,126	82,902	84,822	84,640
Non-Edwards supply ^(d)	35,664	23,543	25,905	24,634	27,710	23,233	12,931	11,476	7,431	6,098
Stored in ASR ^(e)	56,544	58,288	55,138	50,165	39,429	28,967	23,959	28,764	30,928	28,632
Total water available for production	180,562	170,584	171,032	167,431	160,428	146,344	121,086	122,484	123,080	119,393
Number of Wells in Service	180	181	182	191	191	182	147	149	143	139
Overhead Storage Capacity (Million Gallons) ^(f)	124.1	120.1	120.1	117.1	119.9	119.9	101.8	91.3	81.2	81.2
Total Storage Capacity (Million Gallons) ^(f)	308.4	287.6	287.6	277.2	269.2	261.7	220.6	197.4	183.7	184.1
Miles of Water Main in Place	7,391	7,260	7,144	7,060	6,961	6,831	5,259	5,072	5,022	4,988
Water Main Breaks	2,494	2,357	2,329	1,843	1,194	2,363	2,018	1,863	2,128	3,397
Fire Hydrants in Place	43,345	42,513	41,553	40,872	39,988	38,460	28,753	28,323	27,914	27,566

(a) Number of customers at end of fiscal year.

(b) Gallons pumped for ASR recharge and ASR production are included in annual water pumped.

(c) Based on permitted rights authorized by the EAA as of December 31. Under current EAA rules, authorized amounts are subject to reductions of 20% to 44% during drought conditions.

(d) Includes water available under contracts to purchase or produce water from the Trinity Aquifer, Carrizo Aquifer, Canyon Lake, Medina Lake, and Lake Dunlap, as well as SAWS' brackish desalination plan. There are no legally imposed reductions in these supplies during drought; however, production of water from certain of these sources is physically limited during periods of drought.

(e) Represents cumulative net amount stored in ASR (Recharge - Net production).

(f) Include a ground storage tank with a 10 million gallon capacity and two elevated storage tanks with a combined capacity of 4 million gallons associated with the Vista Ridge Pipeline Project, which commenced operations in April 2020.

(g) Increase in amounts from 2014 to 2015 reflect the merger of SAWS and SAWS' District Special Project effective January 1, 2015.

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San Antonio Water System
Schedule 27 – Monthly Residential Service Charges for Ten Major Texas Cities – Water
Unaudited

CITY	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Arlington										
6000 Gallons	\$25.50	\$25.50	\$25.50	\$24.20	\$24.20	\$22.40	\$21.12	\$19.49	\$19.49	\$19.49
9000 Gallons	\$33.87	\$33.87	\$33.87	\$32.57	\$32.57	\$29.78	\$27.96	\$25.55	\$25.55	\$25.55
Austin										
6000 Gallons	\$37.02	\$37.02	\$37.02	\$38.35	\$38.35	\$37.37	\$37.21	\$29.74	\$26.16	\$26.16
9000 Gallons	\$68.34	\$68.34	\$68.34	\$70.30	\$70.30	\$66.88	\$62.60	\$51.74	\$35.40	\$35.40
Corpus Christi ^(a)										
6000 Gallons	\$45.18	\$44.05	\$44.05	\$42.37	\$42.37	\$34.76	\$34.76	\$32.25	\$30.55	\$28.97
9000 Gallons	\$70.65	\$68.93	\$68.93	\$66.29	\$66.29	\$55.78	\$55.78	\$51.79	\$48.76	\$45.67
Dallas										
6000 Gallons	\$21.00	\$20.77	\$20.77	\$21.69	\$21.35	\$20.86	\$19.87	\$19.39	\$18.58	\$17.62
9000 Gallons	\$33.15	\$32.77	\$32.77	\$34.71	\$34.10	\$33.25	\$31.60	\$30.70	\$29.23	\$27.67
El Paso ^(b)										
6000 Gallons	\$30.10	\$28.27	\$27.19	\$25.23	\$23.82	\$21.62	\$17.84	\$17.84	\$17.01	\$16.53
9000 Gallons	\$39.52	\$37.25	\$35.82	\$37.40	\$31.28	\$28.42	\$24.10	\$24.10	\$22.99	\$22.34
Fort Worth										
6000 Gallons	\$31.44	\$30.82	\$30.82	\$29.39	\$28.60	\$26.62	\$24.82	\$23.32	\$23.32	\$22.33
9000 Gallons	\$43.75	\$42.73	\$42.73	\$41.14	\$40.77	\$38.49	\$36.05	\$34.55	\$34.55	\$33.08
Houston										
6000 Gallons	\$36.37	\$35.43	\$34.46	\$33.52	\$32.42	\$31.97	\$30.62	\$30.26	\$27.78	\$25.51
9000 Gallons	\$53.65	\$52.84	\$50.42	\$49.03	\$47.42	\$46.76	\$44.78	\$44.27	\$40.62	\$37.30
Lubbock										
6000 Gallons	\$41.09	\$42.09	\$41.09	\$44.56	\$44.56	\$45.18	\$43.86	\$45.00	\$45.00	\$40.02
9000 Gallons	\$62.00	\$62.00	\$62.00	\$58.84	\$58.84	\$63.72	\$56.79	\$57.00	\$57.00	\$48.03
Plano										
6000 Gallons	\$31.86	\$31.22	\$29.48	\$29.48	\$25.98	\$25.98	\$25.41	\$23.10	\$22.55	\$20.50
9000 Gallons	\$43.20	\$42.35	\$40.07	\$40.07	\$35.28	\$35.28	\$33.72	\$30.66	\$29.18	\$26.53
San Antonio (Standard) ^(b)										
6000 Gallons	\$36.06	\$31.20	\$30.72	\$28.65	\$27.09	\$23.50	\$22.65	\$21.54	\$21.67	\$19.59
9000 Gallons	\$58.03	\$48.29	\$47.40	\$44.37	\$41.96	\$34.43	\$33.16	\$31.37	\$31.53	\$28.44

Source: Based on rates posted on each respective city's website.

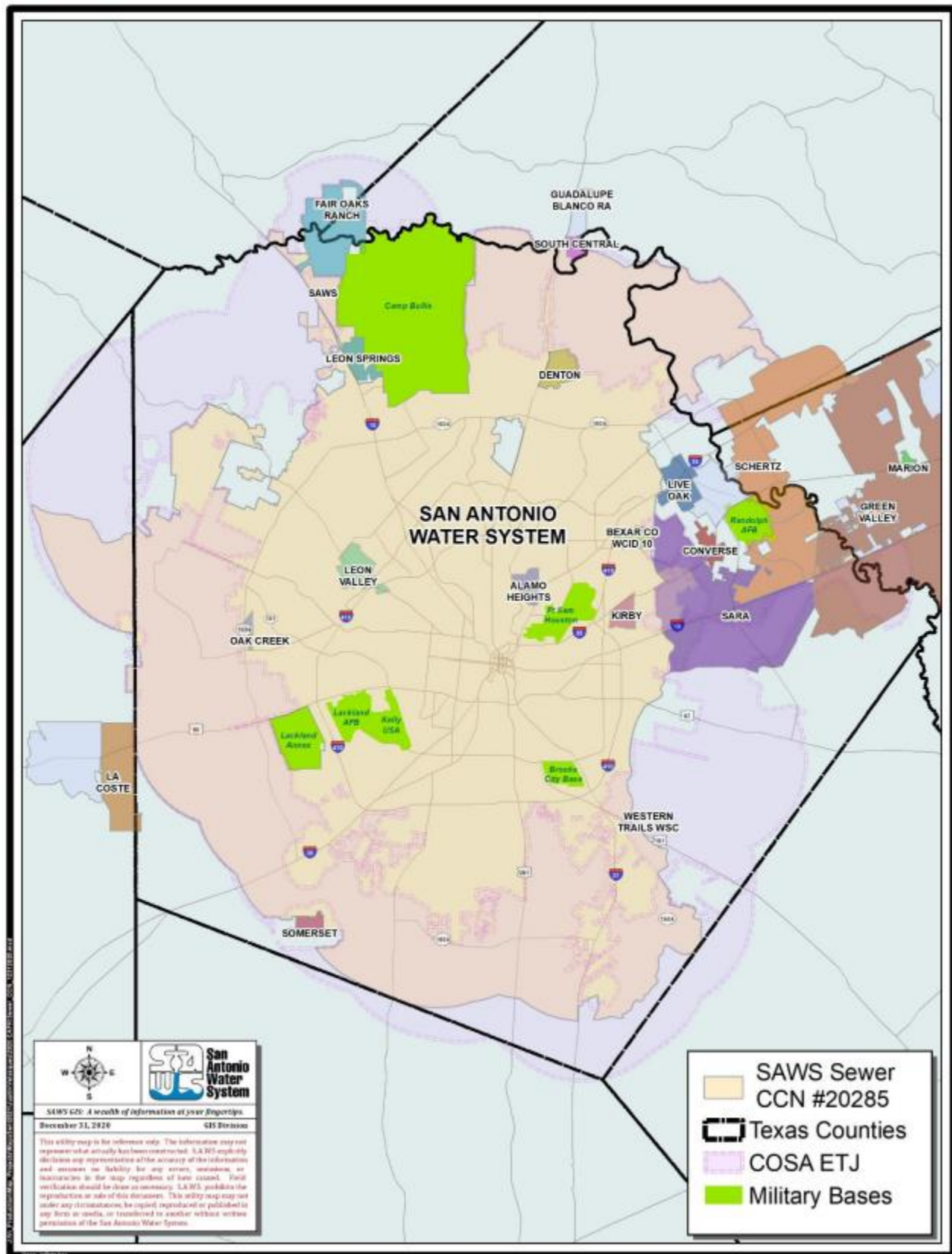
Note – Most charges are for a 5/8" meter; Arlington, Plano, and Lubbock charges are for a 3/4" meter.

(a) Includes Raw Water Pass Through Charge of \$1.07 per 1,000 gallons.

(b) Assumes Standard rates for all period in 2015 and prior and includes Water Supply Fee in all periods.

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San Antonio Water System
Map 2 – Map of Wastewater Service Area



San Antonio Water System
Schedule 28 – Operating and Capital Indicators – Wastewater
Unaudited

	2020	2019	2018	2017	Fiscal Year		2014	2013	2012	2011
					2016	2015				
Customers/Connections ^(a)	473,478	461,555	449,893	442,552	437,460	429,609	424,257	416,801	412,275	405,119
Effluent Volumes for Major Facilities (million gallons per day)										
Clouse Water Recycle Center ^(b)										
Permit Flow	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Average Annual Flow	86.77	94.34	94.70	94.46	98.26	93.84	85.20	78.47	79.04	74.97
Maximum Monthly Average Flow	92.01	105.39	114.90	106.44	117.01	112.44	91.19	86.78	87.01	76.63
Leon Creek										
Permit Flow	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00	46.00
Average Annual Flow (two outfalls)	29.11	29.88	35.91	35.52	38.59	35.04	28.98	37.68	38.62	35.07
Maximum Monthly Average Flow (two outfalls)	30.53	32.67	46.36	38.61	45.06	44.26	39.03	44.16	43.77	36.46
Medio Creek										
Permit Flow	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Average Annual Flow	10.04	10.05	6.84	6.43	7.73	6.92	7.08	7.76	7.29	6.83
Maximum Monthly Average Flow	10.72	10.92	8.75	7.08	9.73	8.24	7.49	8.45	8.14	6.97
Total										
Permit Flow	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00	187.00
Average Annual Flow	125.92	134.27	137.45	136.41	144.58	135.79	121.26	124.26	124.95	116.87
Maximum Monthly Average Flow	133.26	148.98	170.01	152.13	171.80	162.54	137.71	139.40	138.92	120.06
Amount Treated Annually (millions of gallons) ^(c)	46,085	49,009	50,170	50,945	49,282	48,563	50,689	50,076	49,055	49,918
Amount Treated Peak Day (millions of gallons)	198	187	235	245	311	286	196	221	199	160
Miles of Sewer Main in Place	5,699	5,629	5,535	5,482	5,375	5,322	5,247	5,238	5,200	5,163
Number of Manholes in Place	112,767	110,836	108,580	107,247	105,346	103,874	100,017	99,037	98,136	97,280
Number of Lift Stations	146	146	154	151	155	153	156	155	159	159

(a) Number of customers at end of fiscal year.

(b) In the summer of 2019, the Dos Rios Recycling Plant was renamed Steve M. Clouse Water Recycling Center.

(c) Represents the amount of wastewater treated annually and does not reflect the amount of wastewater billed. See Schedule 4 for the amount of wastewater billed.

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San Antonio Water System
Schedule 29 – Monthly Residential Service Charges for Ten Major Texas Cities – Wastewater
Unaudited

CITY	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Arlington										
6000 Gallons	\$43.72	\$41.44	\$38.02	\$34.98	\$31.56	\$31.10	\$30.26	\$28.03	\$28.03	\$27.37
9000 Gallons	\$59.11	\$55.69	\$50.56	\$47.52	\$42.69	\$42.20	\$41.24	\$38.02	\$38.02	\$37.03
Austin										
6000 Gallons	\$60.66	\$60.66	\$60.66	\$62.30	\$62.30	\$59.86	\$55.84	\$54.40	\$54.30	\$50.35
9000 Gallons	\$90.93	\$90.93	\$90.93	\$93.35	\$93.95	\$89.68	\$83.23	\$81.22	\$81.06	\$75.49
Corpus Christi										
6000 Gallons	\$59.36	\$45.60	\$45.60	\$60.79	\$60.79	\$52.23	\$52.23	\$46.96	\$43.21	\$43.21
9000 Gallons	\$79.43	\$60.15	\$60.15	\$80.86	\$80.86	\$69.48	\$69.48	\$62.71	\$57.69	\$57.69
Dallas										
6000 Gallons	\$37.29	\$36.94	\$36.94	\$37.06	\$36.56	\$35.78	\$34.15	\$33.80	\$33.00	\$31.70
9000 Gallons	\$53.52	\$53.02	\$53.02	\$53.20	\$52.49	\$51.38	\$49.00	\$48.50	\$47.40	\$45.50
El Paso										
6000 Gallons	\$25.86	\$24.63	\$22.82	\$21.14	\$19.73	\$17.79	\$16.48	\$16.48	\$15.68	\$15.22
9000 Gallons	\$34.52	\$32.89	\$30.48	\$28.23	\$26.35	\$23.77	\$22.01	\$22.01	\$20.93	\$20.31
Fort Worth										
6000 Gallons	\$40.29	\$38.10	\$38.10	\$35.53	\$34.49	\$30.60	\$27.96	\$27.96	\$26.84	\$26.27
9000 Gallons	\$57.02	\$53.90	\$53.90	\$50.05	\$48.49	\$43.16	\$39.39	\$39.39	\$37.70	\$36.86
Houston										
6000 Gallons	\$45.10	\$42.57	\$42.39	\$41.23	\$39.87	\$39.31	\$37.65	\$37.20	\$34.15	\$31.38
9000 Gallons	\$71.83	\$68.40	\$67.53	\$65.68	\$63.51	\$62.62	\$59.97	\$59.25	\$54.40	\$49.98
Lubbock										
6000 Gallons	\$38.76	\$38.76	\$38.26	\$35.02	\$35.02	\$28.70	\$27.50	\$27.50	\$27.50	\$24.30
9000 Gallons	\$49.89	\$49.89	\$49.39	\$44.53	\$44.53	\$36.05	\$34.25	\$34.50	\$34.25	\$30.45
Plano										
6000 Gallons	\$43.67	\$43.67	\$41.57	\$41.57	\$39.23	\$37.40	\$34.40	\$33.54	\$33.54	\$33.54
9000 Gallons	\$61.07	\$61.07	\$58.13	\$58.13	\$54.86	\$52.31	\$47.51	\$46.32	\$46.32	\$46.32
San Antonio										
6000 Gallons	\$33.24	\$33.24	\$30.78	\$29.71	\$28.13	\$27.91	\$26.24	\$25.26	\$21.70	\$19.12
9000 Gallons	\$47.21	\$47.21	\$43.72	\$42.20	\$39.96	\$38.00	\$35.73	\$34.40	\$29.54	\$26.02

Source: Based on rates posted on each respective city's website.

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MONTHLY WATER, SEWER, AND WATER SUPPLY FEE RATES

In November 2015, the Board and the City Council approved revisions to the System's rate structure. The revised rate structure is designed to further encourage water conservation by reducing residential rates for very low water use while raising rates for higher levels of water use. The revised rate structure went into effect on January 1, 2016.

The System has received rate adjustments each year between 2011 and 2020. The last rate adjustment which took effect on January 1, 2020, was a pre-approved rate adjustment to the average residential bill of 9.9%. There were no rate adjustments for fiscal year 2021.

Residential Water Service

(Effective for Consumption on or about January 1, 2019. No changes to these rates were implemented in 2020 and 2021.)

The Service Availability Charge (minimum bill) for all residential water service **INSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate per 100 Gallons</u>
		Threshold	
5/8"	\$ 12.82	2,992	\$ 0.0740
3/4"	16.97	4,489	0.1295
1"	25.22	5,985	0.1665
1-1/2"	45.85	7,481	0.2034
2"	70.58	10,473	0.2405
3"	128.34	14,962	0.2775
4"	210.83	20,199	0.3329
6"	417.07	Over 20,199	0.4809
8"	664.55		
10"	953.27		
12"	1,778.20		

* Water Service Availability Charge shall be reduced by \$2.57 Inside City Limits, if usage does not exceed 2,992 gallons.

The Service Availability Charge (minimum bill) for all residential water service **OUTSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate per 100 Gallons</u>
		Threshold	
5/8"	\$ 16.67	2,992	\$ 0.0962
3/4"	22.06	4,489	0.1683
1"	32.79	5,985	0.2165
1-1/2"	59.61	7,481	0.2645
2"	91.75	10,473	0.3125
3"	166.84	14,962	0.3607
4"	274.06	20,199	0.4328
6"	542.18	Over 20,199	0.6253
8"	863.89		
10"	1,239.24		
12"	2,311.67		

* Water Service Availability Charge shall be reduced by \$3.34 Outside City Limits, if usage does not exceed 2,992 gallons.

General Water Service

(Effective for Consumption on or about January 1, 2019. No changes to these rates were implemented in 2020 and 2021.)

The Service Availability Charge (minimum bill) for all general water service **INSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$ 13.86	Base*	\$0.1810
3/4"	19.79	>100-125% of Base	0.2084
1"	31.66	>125-175% of Base	0.2717
1-1/2"	61.29	>175% of Base	0.3171
2"	96.79		
3"	179.74		
4"	298.19		
6"	594.32		
8"	949.73		
10"	1,364.34		
12"	2,548.96		

* The Base Use is defined as 100% of the Annual Average Consumption.

The Service Availability Charge (minimum bill) for all general water service **OUTSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$ 16.94	Base*	\$0.2354
3/4"	24.12	>100-125% of Base	0.2710
1"	38.45	>125-175% of Base	0.3533
1-1/2"	74.27	>175% of Base	0.4121
2"	117.20		
3"	217.47		
4"	360.65		
6"	718.67		
8"	1,148.31		
10"	1,649.54		
12"	3,081.65		

* The Base Use is defined as 100% of the Annual Average Consumption.

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Wholesale Water Service

(Effective for Consumption on or about January 1, 2019. No changes to these rates were implemented in 2020 and 2021.)

Water service charges for all metered wholesale water connections shall be the sum of the appropriate Water Service Availability Charge and the application of the Water Monthly Volume Charges to metered water usage in every instance of service for each month or fraction thereof and are billed according to the schedule below.

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size⁽¹⁾</u>	<u>Service Availability Charge</u>
6"	\$538.85
8"	860.58
10"	1,235.91
12"	2,308.35

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
Base*	\$0.2099
Over Base	0.6299

* The Base Use is defined as 100% of the Annual Average Consumption.

(1) Wholesale water service will not be provided through a meter smaller than 6" in order to comply with fire flow requirements and the "Criteria for Water Supply and Distribution in the City of San Antonio and its Extraterritorial Jurisdiction".

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Irrigation Service Fee

(Effective for Consumption on or about January 1, 2019. No changes to these rates were implemented in 2020 and 2021.)

The Service Availability Charge (minimum bill) for all irrigation water service **INSIDE THE CITY LIMITS** of the City furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$ 13.86
3/4"	19.79
1"	31.66
1-1/2"	61.29
2"	96.79
3"	179.74
4"	298.19
6"	594.32
8"	949.73
10"	1,364.34
12"	2,548.96

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
Threshold	
8,229	\$0.3292
17,954	0.4607
162,316	0.5925
Over 162,316	0.7570

The Service Availability Charge (minimum bill) for all irrigation water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>
5/8"	\$ 16.94
3/4"	24.12
1"	38.45
1-1/2"	74.27
2"	117.20
3"	217.47
4"	360.65
6"	718.67
8"	1,148.31
10"	1,649.54
12"	3,081.65

MONTHLY VOLUME CHARGE

<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
Threshold	
8,229	\$0.4279
17,954	0.5991
162,316	0.7702
Over 162,316	0.9841

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Recycled Water Service – Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2020. No changes to these rates were implemented in 2021.)

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Net Meter Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard*</u>	<u>Seasonal*</u>
5/8"	\$ 14.71	Transferred Amount	\$ 0.0387	\$ 0.0387
3/4"	19.13	All in Excess of Transferred	0.1452	0.1542
1"	24.94	Amount		
1-1/2"	39.62			
2"	57.93			
3"	154.09	* The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.		
4"	229.04			
6"	436.93			
8"	658.58			
10"	903.06			
12"	1,114.22			

Recycled Water Service – Non-Edwards Exchange Customers
(Effective for Consumption on or about January 1, 2020. No changes to these rates were implemented in 2021.)

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE		
<u>Meter Size</u>	<u>Net Meter Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard*</u>	<u>Seasonal*</u>
5/8"	\$ 14.71	First 748,000	\$ 0.1533	\$ 0.1670
3/4"	19.13	Over 748,000	\$ 0.1588	\$ 0.1684
1"	24.94			
1-1/2"	39.62			
2"	57.93			
3"	154.09	* The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning on or about May 1 and ending after five complete billing months on or about September 30 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.		
4"	229.04			
6"	436.90			
8"	658.58			
10"	903.06			
12"	1,114.22			

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Water Supply Fee
(Effective for Consumption on or about January 1, 2020. No changes to these rates were implemented in 2021.)

The Water Supply Fee assessed on all potable water service for water usage in every instance of service for each month or fraction thereof shall be as follows:

<u>Rate Class</u>	<u>Usage Blocks, Gallons Threshold</u>	<u>Fee to be Assessed (per 100 gallons)</u>
Residential	2,992	\$0.1585
	4,489	0.2772
	5,985	0.3563
	7,481	0.4357
	10,473	0.5150
	14,962	0.5942
	20,199	0.7129
	Over 20,199	1.0296
General	Base*	\$0.2989
	125% of Base	0.3438
	175% of Base	0.4482
	Over 175% of Base	0.5232
Wholesale	Base**	\$0.3892
	Over Base	1.1681
Irrigation	8,229	\$0.3911
	17,954	0.5474
	162,316	0.7039
	Over 162,316	0.8996

* The Base Use for General Class is defined as 100% of the Annual Average Consumption.

** The Base Use for Wholesale Class is defined as 100% of the Annual Average Consumption or as agreed to by the wholesale customer and approved by the SAWS' Board.

Residential Sewer Service
(Effective for Consumption on or about January 1, 2019. No change to these fees were implemented in 2020 and 2021.)

Sewer service charges for all metered residential connections **INSIDE THE CITY LIMITS** of the City are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons Threshold</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$ 14.53	Threshold	
3/4"	15.97	1,496	\$0.0000
1"	18.14	2,992	0.3104
1-1/2"	25.41	Over 2,992	0.4657
2"	36.31		
3"	72.61		
4"	108.91		
6"	181.52		
8"	290.41		
10"	435.65		
12"	580.86		

* Customers who do not have a winter record of water usage or an interim average will be billed for sewer service assuming 5,985 gallons monthly sewer usage. Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 5/8" meter size.

Sewer service charges for all metered residential connections **OUTSIDE THE CITY LIMITS** of the City are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$ 17.43	Threshold	
3/4"	19.18	1,496	\$0.0000
1"	21.78	2,992	0.3726
1-1/2"	30.50	Over 2,992	0.5588
2"	43.58		
3"	87.12		
4"	130.70		
6"	217.83		
8"	348.52		
10"	522.77		
12"	697.03		

* Customers who do not have a winter record of water usage or an interim average will be billed for sewer service assuming 5,985 gallons monthly sewer usage. Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 5/8" meter size.

General Class Sewer Service

(Effective for Consumption on or about January 1, 2019. No change to these fees were implemented in 2020 and 2021.)

INSIDE CITY LIMITS ("ICL")

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$ 14.53	Base**	
3/4"	15.97	1,496	\$0.0000
1"	18.14	Over 1,496	0.4159
1-1/2"	25.41		
2"	36.31		
3"	72.61		
4"	108.91		
6"	181.52		
8"	290.41		
10"	435.65		
12"	580.86		

* Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 2" meter size.

** The Base Use is defined as 100% of the Annual Average Consumption.

OUTSIDE CITY LIMITS ("OCL")

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge*</u>	<u>Usage Blocks, Gallons</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$ 17.43	Base**	
3/4"	19.18	1,496	\$0.0000
1"	21.78	Over 1,496	0.4992
1-1/2"	30.50		
2"	43.58		
3"	87.12		
4"	130.70		
6"	217.83		
8"	348.52		
10"	522.77		
12"	697.03		

* Customers without a SAWS water meter will be charged the Sewer Service Availability Charge based on a 2" meter size.

** The Base Use is defined as 100% of the Annual Average Consumption.

Wholesale Sewer Service
(Effective for Consumption on or about January 1, 2019. No change to these fees will be implemented in 2020 and 2021.)

MONTHLY SERVICE AVAILABILITY CHARGE
All Meter Sizes: \$340.07

MONTHLY VOLUME CHARGE
All Usage: \$0.4438

WATER SERVICE INTERCONNECT RATE (EFFECTIVE JANUARY 1, 2006)

On November 17, 2005, the City Council approved the establishment of a Water Service Interconnect Rate. Water purveyors and entities outside the System have and are anticipated to continue to request connections to the System to receive potable water services on a short-term, unscheduled basis. Through these connections, these purveyors then resell the water provided by the System to their customers.

In order to ensure equitable recovery of costs and mitigate usage of these interconnections on more than a short-term basis, a Water Service Interconnect Rate was established. The rate is structured to provide short-term temporary water service while encouraging long-term water service agreements. In addition, the rate ensures that water purveyors utilizing potable water through the interconnection with the System do not profit when reselling this water to their own customers. Water purveyors who connect to the System under the Water Service Interconnect Rate shall pay for all services related to connecting to the infrastructure of the System to include applicable capital and operating costs.

Under the Water Service Interconnect Rate, water purveyors are charged all of the following:

1. The highest bill calculated based on metered usage using the System's or the water purveyors' current residential rate schedules;
2. The System's meter fee for standby service;
3. Additional standby charges of 10 times the meter fee for each month of usage, if usage occurs two consecutive months or more than three months during a calendar year; and
4. Time and material charges incurred to service the interconnect infrastructure.

IMPACT FEES (EFFECTIVE JUNE 1, 2019)

On May 16, 2019, the City Council approved amendments to the System's Impact Fees Land Use Assumption Plan ("LUAP") and Impact Fees Capital Improvements Plan ("IFCIP") based on projections for the 10-year period of 2019-2028. Using these amended plans, at the same time the City Council approved amendments to the water supply, water flow, water system development, wastewater collection, and wastewater treatment impact fees for all areas served by the System. Chapter 395, Texas Local Government Code, as amended ("Chapter 395") requires that the LUAP and IFCIP must be updated at least every five (5) years. The previous impact fees for water delivery, water supply, and wastewater were approved by the City Council in 2014.

Chapter 395 requires that impact fees be calculated for an equivalent dwelling unit ("EDU") based upon a LUAP that projects new demand for a period not to exceed 10 years and IFCIP costs associated with providing service to that new demand. The amended LUAP for 2019-2028 projects 141,770 new water EDUs and 131,840 new wastewater EDUs. The pro-rata cost of existing and future capital improvements projects to serve the 2019-2028 growth is estimated to be \$1.18 billion as set forth in the amended IFCIP.

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Based on the 10-year LUAP and IFCIP numbers above, the maximum impact fees were calculated for each major category of fees; i.e., water supply, water flow, water system development, wastewater collection, and wastewater treatment for each related service area and approved as follows:

SUMMARY OF MAXIMUM IMPACT FEES
(Impact Fees are shown as per EDU)

Water Supply Impact Fee	\$ 2,706
Water Delivery	
Flow	\$ 1,188
System Development	
High Elevation	\$ 855
Middle Elevation	\$ 1,014
Low Elevation	\$ 1,203
Wastewater	
Treatment	
Medio Creek	\$ 1,222
Dos Rios/Leon Creek	\$ 651
Collection	
Medio Creek	\$ 861
Upper Medina	\$ 1,422
Lower Medina	\$ 520
Upper Collection	\$ 2,800
Middle Collection	\$ 2,013
Lower Collection	\$ 902

EDWARDS AQUIFER AUTHORITY PERMIT FEE: SAN ANTONIO WATER SYSTEM

City ordinance provides for the establishment and assessment of a pass-through charge of the EAA Permit Fee to all System water customers. The purpose of the fee is to recover fees paid to the EAA for permitted water rights. The annual fee takes into account any cumulative deficit or surplus in the recovery, number of EAA water rights and projected water sales (in gallons) for the year.

<u>Year</u>	<u>EAA Fee</u> <u>(per 100 gallons)</u>
2012	0.01719
2012*	0.03901
2013	0.03425
2014	0.03295
2015	0.03311
2016	0.04259
2017	0.03612
2018	0.03533
2019	0.03561
2020	0.03452
2021	0.03452

* Increased April 1, 2012 to include a \$50/acre-foot fee to support funding for the EAA HCP (see "THE SAN ANTONIO WATER SYSTEM – Edwards Aquifer Management; City's Edwards Aquifer Management Plan").

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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FEE

The TCEQ imposes certain fees on the System, which is applied to all residential, commercial, and wholesale accounts as well as each apartment account based on the number of units. The annual fee takes into account any cumulative deficit or surplus in the recovery.

Service Type (Monthly Fee)	TCEQ Pass-Through Fee	
	Water Connection Fee	Wastewater Connection Fee
2012	0.17	0.06
2013	0.17	0.05
2014	0.18	0.06
2015	0.18	0.06
2016	0.18	0.06
2017	0.18	0.06
2018	0.18	0.06
2019	0.20	0.06
2020	0.21	0.06
2021	0.21	0.06

ENVIRONMENTAL MATTERS AND REGULATORY MATTERS

The City and the System are subject to the environmental regulations of the State and the United States in the operation of the System's water, reuse water, wastewater, stormwater, and chilled water systems. These regulations are subject to change, and the City and the System may be required to expend substantial funds to meet the requirements of such regulatory authorities.

GENERAL REGULATORY CLIMATE

The election of President Biden in November 2020 resulted and will continue to result in a host of newly appointed administrators to top government agencies, especially those positions affecting the environment. Since inauguration, officials began to amend and enact provisions promulgated through the EPA and other environmental agencies to increase regulation.

SAFE DRINKING WATER ACT

In August 1996, amendments to the federal Safe Drinking Water Act were signed into law, with additional amendments following in subsequent years, including provisions relating to eliminating lead in drinking water. The federal Safe Drinking Water Act requires the EPA to regulate a wide variety of contaminants that may be present in drinking water, including volatile organic chemicals ("VOCs"), other synthetic organic chemicals, inorganic chemicals, microbiological contaminants, and radionuclide contaminants. The list of contaminants to be regulated is so lengthy that the amendments require the EPA to establish a schedule for developing regulations regarding the contaminants. There are several phases in the EPA's regulatory timetables that are to be undertaken over the next few years. The initial impacts of the amendments to the System have not been significant, as the System has been able to materially comply with these regulations that have been promulgated to date. The full impact is difficult to project at this time and would be dependent upon what maximum contaminant levels may be set for some future parameters and enhanced water treatment rules. Many of these parameters, such as waterborne pathogens, radionuclides, and infection by-products contaminants may require treatment changes that have not yet been established by the EPA.

The System is in material compliance with several EPA drinking water rules adopted pursuant to the Safe Drinking Water Act, including the Enhanced Surface Water Treatment Rule, the Long Term 2 Enhanced Surface Water Treatment Rule, the Stage 1 and Stage 2 Disinfectant and Disinfection Byproduct Rules, and the Unregulated Contaminant Monitoring Rule. No increased capital expenditures have been required or are anticipated to be required to maintain compliance with the foregoing rules. In October 2006, the EPA also finalized its Groundwater Rule, a regulation designed to identify and address systems including ground water supplies that are at a high risk of contamination with fecal coliforms. The EPA's Groundwater Rule may have an impact on the System if it is determined that any individual production well may need additional treatment. Estimated cost for compliance with the Groundwater Rule may be up to \$2.00 per gallon at any well that may be affected.

On October 12, 2019, the EPA published proposed revisions to the "Lead and Copper Rule" (the "Lead Rule") under the Safe Drinking Water Act. The public comment period for such revisions closed on February 12, 2020. The EPA's proposed revisions create a new trigger level for lead of 10 parts per billion. An extensive water sampling and analysis protocol is required, including mandatory testing at schools and childcare facilities. Public water systems with test results exceeding the trigger level are required to work with the State to develop a program to replace service lines that contain lead in its distribution system. The proposed regulation also requires an inventory of any lead service lines in both the water system's distribution system and in customer systems. On March 31, 2021, the EPA announced that it would conduct listening sessions and roundtable discussions with the public and stakeholders through July 2021 to determine if any additional revisions should be made to the Lead Rule. As a result, the effective and implementation dates for the Lead Rule will be delayed. Additionally, the full scope of revisions will not be known until later in 2021. It is premature to speculate on the financial impact of these rules.

Continued changes in rules, specifically the Lead Rule, and regulations may continue to cause process modifications, which may increase the cost of the maintenance and operation of the System's drinking water treatment and distribution facilities. These modifications and upgrades may require increased capital expenditures, which may be financed by the issuance of additional revenue bonds.

FEDERAL AND STATE REGULATION OF THE WASTEWATER FACILITIES

The federal Clean Water Act and the Texas Water Code regulate the System'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 Clean Water Act. The Clean

Water Act 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 Clean Water Act for issuing, revoking, monitoring, and enforcing wastewater discharge permits. The Clean Water Act 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 Clean Water Act permits to the System. The System has current TPDES permits for its 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.

TPDES permits set limits on the type and quantity of wastewater discharge, in accordance with State and federal laws and regulations. The Clean Water Act requires municipal wastewater treatment plants to meet secondary treatment effluent limitations (as defined in EPA regulations). The Clean Water Act also requires that municipal plants meet any effluent limitations established by State or federal laws or regulations, which are more stringent than secondary treatment.

On June 1, 2010, the EPA published a notice in the Federal Register seeking stakeholder input to help the EPA determine whether to modify the NPDES regulations as they apply to municipal sanitary sewer collection systems and sanitary sewer overflows. On October 27, 2011, the Office of Water and the Office of Enforcement and Compliance Assurance issued a Memorandum on Achieving Water Quality Through Integrated Municipal Stormwater and Wastewater Plans. The memorandum outlines the development of an integrated planning approach framework to help the EPA work with local governments toward cost-effective decisions and solutions regarding the implementation of NPDES related obligations. On June 5, 2012, the EPA issued its Integrated Municipal Stormwater and Wastewater Planning Approach document. This document encourages the EPA Regions to work with the states in their regions to implement integrated planning that will assist municipalities on their critical paths to achieving health and water quality objectives of the Clean Water Act by identifying efficiencies in implementing requirements that arise from distinct wastewater and stormwater programs. In August 2014, the EPA finalized amendments to the Clean Water Act’s NPDES program, requiring applicants use “sufficiently sensitive” analytical test methods when completing permit applications. Furthermore, the permit-issuing authority must prescribe that only sufficiently sensitive methods be used for analyses of pollutants or pollutant parameters under a NPDES permit. On May 18, 2016, the EPA proposed revisions to the NPDES regulations to eliminate regulatory and application form inconsistencies, improve permit documentation, transparency, and oversight, clarify existing regulations, and remove outdated provisions. On June 12, 2019, the EPA implemented new rules to address these permit procedure concerns.

On February 28, 2017, President Trump executed an executive order mandating the EPA formally reconsider the EPA’s Clean Water Rule, as well as the definition of “Waters of the U.S.” (“WOTUS”) set forth in the Navigable Waters Protection Rule, which, pursuant to amendments promulgated in 2015, gave the EPA jurisdiction to regulate bodies of water within the broad scope of the rule’s definition. On September 12, 2019, the EPA and the U.S. Army Corps of Engineers (the “Army”) announced the repeal of WOTUS after extended litigation (including two federal district court decisions which reviewed the merits thereof and found the rule suffered from certain errors, resulting in respective remands for further consideration). On January 23, 2020, the EPA and Army finalized the new rule redefining WOTUS under the Clean Water Act, which became effective in June 2020.

On January 13, 2021, the Army revised their Nationwide Permitting (“NWP”) program adding clarity to regulations which decreases compliance risk for obtaining authorization for construction projects with minimal environmental impact. The effective date of the change was March 15, 2021. The Biden Administration called for a review of the 2021 NWPs, and the rule is being challenged legally. On June 9, 2021, EPA Administrator Michael Regan announced the agency’s intent to expand the number of waterways that receive protection under the Clean Water Act.

Multiple suits have been filed and likely will continue to be filed over the Clean Water Rule’s provisions, including the definition of WOTUS which specifies the waters entitled to receive federal protection. It is premature to speculate on the outcome of these lawsuits or the potential effects of these lawsuits on SAWS’ operations.

STATUS OF DISCHARGE PERMITS FOR CITY’S WASTEWATER TREATMENT PLANTS

All of the System’s wastewater treatment plants have been issued TPDES discharge permits by the TCEQ. An occasional upset may cause permit violations, but generally all of these plants are in compliance with their respective discharge limitations. The EPA notified the System during 2007 of concerns regarding reported sewer overflows under the TPDES permits. The EPA’s concerns and the System’s response are discussed under “THE SAN ANTONIO WATER SYSTEM – Sewer Management Program” herein.

POTENTIAL PENALTIES FOR THE CITY’S WASTEWATER SYSTEM’S VIOLATIONS

The failure by the System to achieve compliance with the Clean Water Act could result in either a private plaintiff or the EPA instituting a civil action for injunctive relief and civil penalties of up to \$54,833 per day per violation. Effective January 13, 2020, the maximum amount of a civil penalty that may be assessed increased to \$55,800 per violation. The maximum amount of the civil penalty was subsequently modified and became effective on December 23, 2020 and increased to \$56,460 per violation. In addition, the EPA has the power to issue administrative orders compelling compliance with its regulations and the applicable permits. The EPA can also bring criminal actions for recovery of penalties of up to \$50,000 per day for willful or negligent violations of permit conditions or discharge without a permit. Violations of permits or administrative orders may result in the disqualification of a municipality from eligibility for federal assistance to finance capital improvements pursuant to the Clean Water Act. Even though the System will be operating under TPDES permits, it still may be liable for penalties from the EPA under the Clean Water Act.

Under State law, civil penalties for violation of State wastewater discharge permits or orders of the TCEQ can be a maximum of \$25,000 per day per violation. The Executive Director of the TCEQ also has authority to levy administrative penalties of up to \$25,000 per day for violations of

rules, orders, or permits. Orders resulting from a civil action could require the imposition of additional user or service charges or the issuance of additional bonds to finance the improvements required to ameliorate a condition that may have caused the violation of a TCEQ permit.

See “THE SAN ANTONIO WATER SYSTEM – Sewer Management Program” herein for a discussion regarding SAWS’ receipt of an administrative order from the EPA regarding an alleged violation related to discharge limitations at its Mitchell Lake facility.

GROUND-LEVEL OZONE

On March 12, 2008, the EPA revised the national ambient air quality standards (the “NAAQS”) for ground-level ozone (the primary component for smog) under the Clean Air Act, as amended in 1990. Prior to the revision, an area met the ground-level ozone standards if the three-year average of the annual fourth-highest daily maximum eight-hour average at every ozone monitor (the “eight-hour ozone standard”) was less than or equal to 0.08 parts per million (“ppm”). The EPA’s March 2008 revision changed the NAAQS such that an area’s eight-hour ozone standard must not exceed 0.075 ppm rather than the previous 0.08 ppm.

The Clean Air Act requires the EPA to designate areas as “attainment” (meeting the standards), “nonattainment” (not meeting the standards), or “unclassifiable” (insufficient data to classify). As a result of the revisions to the NAAQS, on March 10, 2009, Texas Governor Rick Perry submitted a list of 27 counties in Texas, including Bexar County, that should be designated as nonattainment. The final designations were put on hold while the EPA worked on revising the standard even further downward.

On January 6, 2010, the EPA formally proposed a regulation that would lower the primary NAAQS for ozone to a level within a range of 0.060 to 0.070 ppm. The EPA postponed issuing a final rule revising the ozone NAAQS standards, and on September 2, 2011, President Obama requested that the EPA withdraw the draft of the NAAQS revision. On September 22, 2011, the EPA issued a memorandum stating it would designate areas as non-attainment under the 2008 ozone standard of 0.075 ppm.

On November 26, 2014, the EPA proposed ozone standards to within a range of 65 to 70 parts per billion (“ppb”), while taking comment on a level as low as 60 ppb. On October 1, 2015, the EPA lowered the NAAQS for ground level ozone from 75 ppb to 70 ppb, “based on extensive scientific evidence about the ozone’s effects on public health and welfare”. In conjunction with the revised NAAQS, the EPA proposed separate rules to address monitoring the new standard. For Texas, the proposal calls for year-round monitoring throughout the state. On July 25, 2018, the EPA issued a final determination that Bexar County, Texas was marginal “non-attainment” under the NAAQS ozone standard with an effective date of September 24, 2018. The State of Texas is required to amend its State Implementation Plan (“SIP”) to include the new non-attainment area. Under a marginal classification, Bexar County was required to attain the 2015 eight-hour ozone standard by the end of 2020 to meet a September 24, 2021 attainment date. Three years after the date of non-attainment determination the State must amend the SIP to provide a plan for how the non-attainment area will achieve NAAQS compliance.

To help achieve ozone attainment, the San Antonio Metropolitan Health District (“Metro Health”) convened a “Getting to 70” Committee to coordinate activities that have air quality benefits for residents, businesses, and City internal operations. Metro Health also produced an Ozone Attainment Master Plan (“OAMP”) with stakeholder input. The OAMP was officially approved by the City Council in June 2019 to implement the following ozone action strategies:

- Communications and Marketing Plan
- Volkswagen Beneficiary Mitigation Plan
- Ozone Best Practices
- Identification of Point Sources and Mitigation
- Business Community Engagement
- Policy, Advocacy and Funding

The City annually reviews its air quality progress, and the 2021 review provided insight to the City’s particulate matter (also called particle pollution) and ozone pollution trends. While particulate matter has risen slightly since 2010, the weighted average has stayed well below the 3.2 exceedance days per year rating the City with a passing grade, where it has been since the start of the American Lung Association’s Annual Report. In addition to the overall passing grade, the Annual “State of the Air” Report has indicated that the City’s 0.7 high particle days a year since 2017-2019 is well in line with an above average grade in the nation.

Any State plan formulated to reduce ground-level ozone may curtail new industrial, commercial, and residential development in the City and adjacent areas (the “San Antonio Area”). Examples of past efforts by the EPA and the TCEQ to provide for annual reductions in ozone concentrations in areas of nonattainment under the former NAAQS include imposition of stringent limitations on emissions of volatile organic compounds (“VOCs”) and nitrogen oxides (“NO_x”) from existing stationary sources of air emissions, as well as specifying that any new source of significant air emissions, such as a new industrial plant, must provide for a net reduction of air emissions by arranging for other industries to reduce their emissions by 1.3 times the amount of pollutants proposed to be emitted by the new source. Studies have shown that standards significantly more stringent than those currently in place in the San Antonio Area and across the State are required to meaningfully impact an area’s ground-level ozone reading, which will be necessary to achieve compliance with the new 70 ppb ozone standard. Due to the magnitude of air emissions reductions required as well as the limited availability of economically reasonable control options, the development of a successful air quality compliance plan for areas of nonattainment within the State has proven to be extremely challenging and expensive and will inevitably impact a wide cross-section of the business and residential community.

Failure by an area to comply with the ozone standard by the requisite time could result in the EPA’s imposing a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of emissions for which construction has not already commenced. Other constraints on economic growth and development include lawsuits filed under the Clean Air Act by plaintiffs seeking to require emission reduction measures that are even more stringent

than those approved by the EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against the TCEQ and the EPA seeking to compel the early adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities, and private citizens. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the San Antonio Area. It remains to be seen exactly what steps will ultimately be required to meet federal air quality standards, how the EPA may respond to developments as they occur, and what impact such steps and any EPA action have upon the economy and the business and residential communities in the San Antonio Area.

CLEAN POWER PLAN/AFFORDABLE CLEAN ENERGY RULE

On October 23, 2015, the EPA published its final rules to limit greenhouse gas emissions from fossil fuel fired power plants (“Clean Power Plan”). The rule limits carbon dioxide emissions from power plants, requiring a 32% nationwide reduction of such emissions (compared to 2005 emissions) by 2030. States were required to develop comprehensive plans to implement rule requirements and to submit them to the EPA by September 6, 2016, with a possible two year extension, so final complete state plans were to have been submitted no later than September 6, 2018. States were required to demonstrate emissions reductions by 2022.

Lawsuits were filed challenging the new rules and consolidated into one case in the D.C. Circuit Court. The litigation was massive in scale—nearly every state in the nation is involved in some capacity. West Virginia led a coalition of 27 states challenging the rule, while 18 states came to the Clean Power Plan’s defense. Various cities, counties, environmental groups, utility companies and industry trade groups were also involved. On February 9, 2016, the United States Supreme Court granted the applications of numerous parties to stay the Clean Power Plan pending judicial review of the rule.

The D.C. Circuit Court heard oral arguments *en banc* on September 27, 2016. On March 28, 2017, President Trump signed an executive order directing the EPA Administrator to immediately review and begin steps to rescind the Clean Power Plan, which included a request to delay the court proceedings. The EPA asked the D.C. Circuit Court to delay issuing an opinion on the matter in March 2017. Following a request from the EPA, on April 28, 2017, the D.C. Circuit Court granted an abeyance of the litigation for 60 days, and subsequently granted a succession of 60-day abeyances. On July 15, 2019, the petitioners filed a motion to dismiss the petitions in the matter because of the promulgation of the new rules replacing the Clean Power Plan. The D.C. Circuit Court granted the motion to dismiss on September 17, 2019, citing the litigation as moot.

On August 20, 2018, the EPA signed the proposed Affordable Clean Energy Rule (“ACER”) as a replacement for the Clean Power Plan. The proposed rule was published in the Federal Register on August 31, 2018, with the public comment period closing on October 31, 2018. On June 19, 2019, the EPA issued the final ACER, which involves an effort to provide existing coal-fired electric utility generating units, or EGUs, with standards for reducing greenhouse gas emissions. The final ACER became effective on September 6, 2019 and includes three actions: (1) the repeal of the Clean Power Plan; (2) the promulgation of a new set of emission guidelines for regulations of greenhouse gas emissions under the Clean Air Act; and (3) the promulgation of amendments to regulations governing submission and review of state plans under these and future emission guidelines. A lawsuit was filed in the United States Court of Appeals for the District of Columbia that seeks repeal of the ACER. On January 19, 2021, the Court of Appeals vacated the ACER governing emissions controls for power plants and its embedded repeal of the Obama-era Clean Power Plan. As a result, the Clean Power Plan is back in effect pending further legal challenge and new regulations issued by the Biden EPA. It is premature to speculate concerning the outcome of future litigation or the potential effects of potential new regulations established by the Biden EPA on SAWS’ operations.

Because ACER has been vacated, regulations under the Clean Power Plan are back in effect, if only on a temporary basis. Under the Clean Power Plan, individual states are required to reduce carbon dioxide emissions from between approximately 7% to 48% by 2030. The State is expected to be required to reduce carbon dioxide emissions by approximately one-third as compared to 2005 emission levels. Given the size of the State’s electricity market and the electricity demand from the State’s large manufacturing and chemical industries, the State will be required to reduce more carbon dioxide emissions (as a matter of tons) than any other state.

It is not currently known what effect the implementation of any new rules may have on the cost of electricity. SAWS is a major consumer of electricity in the operation of its water production wells, water distribution system, sewer treatment operations, and reuse water distributions system. Any increases in the cost of electricity will increase the cost of providing these services. It is also not known whether required conversion to non-fossil fueled electrical generation will affect the provision of electrical capacity required to operate SAWS’ current systems. These effects will not be known until the compliance requirements for electrical generating utilities become more certain.

LITIGATION AND OTHER MATTERS

CITY OF SAN ANTONIO GENERAL LITIGATION AND CLAIMS

This section describes the litigation involving the City that does not directly involve SAWS or claims payable out of System revenues. Please see “LITIGATION AND OTHER MATTERS – SAWS’ Litigation; Potential Controversies and Claims” herein for a description of litigation involving SAWS.

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and promotional practices; various claims from contractors for additional amounts under construction contracts; and property tax assessments and various other liability claims. The amount of damages in most of the pending lawsuits is capped under the Texas Tort Claims Act, Chapter 101, Texas Civil Practice and Remedies Code, as amended (the “TTCA”). Therefore, as of the City’s fiscal year ended September 30, 2020, the amount of \$16,523,456 (unaudited) is included as a component of the reserve for claims liability. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund of the City. The status of such litigation ranges from early discovery stage to various levels of appeal of judgments both for and against the City. The City intends to defend vigorously against

the lawsuits, including the pursuit of all appeals; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the outcome of such lawsuits.

In the opinion of the City Attorney, it is improbable that the lawsuits now outstanding against the City could become final in a timely manner, as determined by the date posted hereof, so as to have a material adverse financial impact upon the City that should be reflected in the financial information of the City included herein.

The City provides the following updated information related to the lawsuits:

Jimmy Maspero and Regina Maspero, et al. v. City of San Antonio, et al. Plaintiffs allege that on September 19, 2012, Plaintiffs' vehicle was involved in a collision with a vehicle being pursued by a San Antonio Police Department ("SAPD") patrol car causing the death of two of Plaintiffs' children and severe permanent injuries to the remaining Plaintiffs (two children, two adults). The Plaintiffs asserted a "state-created danger" theory under 42 U.S.C. § 1983 alleging a violation of Plaintiffs' 14th Amendment substantive due process. Plaintiffs are also asserting State law theories of negligence. Plaintiffs seek to recover damages for mental anguish, physical pain, impairment, medical expenses, and the wrongful death of two of their children. Plaintiffs are seeking monetary damages of at least \$3 million. This case has been remanded back to State District Court. On February 19, 2018, the District Court granted the City's plea to the jurisdiction, dismissing all claims. Plaintiffs' motion for a new trial was denied. Plaintiffs filed an appeal to the Fourth Court of Appeals. On August 28, 2019, the Fourth Court issued its opinion reversing the trial court and remanding the case to the trial court for further proceedings. The City filed a motion for rehearing *en banc*, which was denied. The City has filed a Petition for Review with the Texas Supreme Court. The Texas Supreme Court has requested full briefing on the merits.

Elena Scott, Individually and as Representative of the Estate of Antronie Scott v. City of San Antonio, et al. Diane Peppar, et al. v. City of San Antonio, et al. A SAPD officer was attempting to execute an arrest warrant when Plaintiff's Decedent exited his vehicle with an object the officer believed was a weapon. The officer discharged his service weapon, fatally wounding Decedent. Plaintiffs have filed suit under 42 U.S.C. § 1983 alleging use of excessive force. This case was consolidated with *Diane Peppar v. City of San Antonio*. Diane Peppar is Decedent Antronie Scott's mother. In March 2019, the Court granted the City's motion for summary judgment, dismissing all claims against the City. The officer's motion for summary judgment was granted in part but denied as to the claims of excessive force and unreasonable seizure. This matter is not currently set for trial.

Rogelio Carlos III, et al. v. Carlos Chavez, et al. SAPD SWAT officers were assisting High-Intensity Drug Trafficking Areas ("HIDTA") in searching for a fleeing suspect. Plaintiff was misidentified by the HIDTA officer as being the suspect. The HIDTA officer engaged and attempted to physically apprehend the Plaintiff and was assisted by SAPD SWAT officers. The Plaintiff suffered minor injuries as a result of the arrest, although he later complained of neck and shoulder/arm pain. Several months after the incident, the Plaintiff underwent surgery, during which procedure, Plaintiff was paralyzed. Plaintiff has filed suit against the City and various officers under 42 U.S.C. § 1983. The Plaintiff has amended his suit to include the physicians involved in the Plaintiff's surgical procedure. Discovery is completed. Motions for summary judgment were filed on behalf of the City and all officers. In April 2020, the Court entered its order dismissing all claims against the City and two officers. Claims against the three remaining officers are pending trial. This case is not currently set for trial.

Neka Scarborough Jenkins v. City of San Antonio. Plaintiff's Decedent was driving northbound on Blanco Road and attempted to turn left onto Lockhill Selma at a controlled traffic signal. Plaintiff contends that the traffic signal for her lane of traffic was facing the wrong direction. While making the turn, Decedent was struck by an oncoming vehicle and was killed. Plaintiff claims the City had prior notice but failed to correct the issue within a reasonable period of time. Plaintiff also claims the investigation revealed the light was placed too low and was not at the correct height for a traffic signal. This litigation is brought under the TTCA and discovery is ongoing. Under the TTCA, damages are capped at \$250,000. This case is not yet set for trial.

Patricia Slack, et al. v. City of San Antonio and Steve Casanova. SAPD officers responded to persons complaining they had been assaulted in front of a nearby residence. The officers went to the address provided by the victims and approached the front door, which was behind a security door made of metal bars. The officers knocked, and the door swung open to the living room, although the security door remained closed. At least three individuals were present in the living room. One individual stood and approached the door while reaching his hand into his waistband. Officer Casanova discharged his weapon. A bullet fired by Officer Casanova grazed one individual and fatally struck a second individual. A suit was brought on behalf of the estate of the deceased, the injured individual and another individual on the scene. Plaintiffs have filed suit under 42 U.S.C. § 1983 alleging use of excessive, deadly force. Discovery is ongoing. No trial date has been set.

Jesse Quinones, et al. v. City of San Antonio. On May 2, 2017, a SAPD officer was operating his patrol vehicle on non-emergency patrol, when he rear-ended a 2003 Tahoe with eight passengers. The officer was following Plaintiffs' vehicle as they went through a green light. A third vehicle on the cross street ran the red light in front of the officer. The officer looked back at the third vehicle and did not see Plaintiff Quinones' vehicle stop in front of him for a traffic signal. As a result of the accident, Plaintiff Quinones is claiming back injury and has obtained a future surgical recommendation at a cost greater than \$250,000. This case is set for trial on February 2, 2022.

Ken Paxton v. City of San Antonio, et al. On December 23, 2017, SAPD received a call concerning an 18-wheeler stopped on I-35 at the Splashtown exit. At the scene, 12 immigrants were found in the back of the truck. The driver was still on scene. SAPD initially reached out to Homeland Security Investigations but federal agents did not arrive on the scene for more than three hours. SAPD eventually took jurisdiction of the matter under the Texas Human Smuggling statute. Subsequently, the Texas Attorney General's Office investigated and filed suit against the City, the Chief of Police and the City Manager, alleging that the City materially interfered with the enforcement of federal immigration laws, in violation of Texas Senate Bill 4. The Texas Attorney General also claims the City has policies that materially interfere with the enforcement of federal immigration laws. The Texas Attorney General seeks penalties and attorneys' fees in excess of \$250,000. This case is currently set for trial on December 6, 2021.

City of San Antonio, et al. v. Hotels.com, et al. In 2006, the City filed suit against 13 online reservation companies alleging that they were not properly paying hotel occupancy taxes. Class certification was granted and approximately 183 cities and towns joined suit. The matter was tried to a federal jury resulting in a verdict in favor of the cities in the amount of approximately \$185 million. The reservation companies appealed to the Fifth Circuit which reversed the decision and ordered the City costs and fees be taxed against the City. The Trial Court determined the amount due and owing is \$2,226,724.37 and issued judgment against the City in that amount. The City appealed, contending the amount should be limited to \$287,047 and alternatively that the costs should be apportioned to all plaintiff cities. In March 2020, the Fifth Circuit affirmed the Trial Court's judgment. The matter was appealed to the United States Supreme Court. On May 27, 2021, the United States Supreme Court issued its opinion, affirming the Fifth Circuit opinion.

COLLECTIVE BARGAINING NEGOTIATIONS

The City is required to collectively bargain the compensation and other conditions of employment with its fire fighters and police officers. The City engages in such negotiations with the association selected by the majority of fire fighters and police officers, respectively, as their exclusive bargaining agent. The International Association of Fire Fighters, Local 624 ("Local 624") is the recognized bargaining agent for the fire fighters. The San Antonio Police Officers' Association ("SAPOA") is the recognized bargaining agent for the police officers. The following is a status of the collective bargaining negotiations with each association.

Collective Bargaining Agreement between the City of San Antonio and the San Antonio Police Officers' Association. The City Council approved a collective bargaining agreement with the SAPOA on September 1, 2016, which provides for a term through September 30, 2021. Negotiations for a new contract began on February 12, 2021.

Collective Bargaining Agreement between the City of San Antonio and the International Association of Fire Fighters, Local 624 (Local 624). On February 13, 2020, a collective bargain agreement was awarded pursuant to arbitration. The new contract took effect immediately and concludes on December 31, 2024.

PROPOSITION TO REPEAL ADOPTION OF CHAPTER 174 FOR CITY OF SAN ANTONIO POLICE OFFICERS

On December 17, 1974, the voters of the City adopted Chapter 174 of the Texas Local Government Code, as amended ("Chapter 174"), which established collective bargaining for San Antonio police officers. On January 8, 2021, the City received a petition seeking to repeal the adoption of Chapter 174 for City of San Antonio Police Officers, and the City Clerk certified that the Petition was signed by at least 20,282 qualified voters, more than the statutorily required minimum number of 20,000. On February 11, 2021, the City Council ordered a special election to be held in the various voting precincts of the City on Saturday, May 1, 2021, to submit a proposition to repeal the adoption of Chapter 174, the State law establishing collective bargaining as applicable to City of San Antonio police officers, to the qualified voters of the City. At the May 1, 2021 special election, a majority of the qualified voters voting in it voted against the proposition. The results of the special election were canvassed on May 12, 2021 and are now official.

PAID SICK LEAVE ORDINANCE AND LITIGATION

Working Texans for Paid Sick Time, a State-wide coalition of grassroots organizations, submitted to the City on May 24, 2018 a petition seeking a referendum on a City ordinance requiring that businesses operating within the City (being those that annually perform 80 hours or more of work within the City) provide mandatory paid sick leave to their employees or be subject to a civil penalty of \$500 per violation. Under the proposed ordinance, businesses with 15 or more employees would be required to provide eight days of paid sick leave to each employee; those with less than 15 employees would be required to provide six days of paid sick leave per employee. The City Council voted to adopt the proposed ordinance on August 16, 2018 which eliminated the need for an election on the matter. Plaintiff businesses and the State sued to enjoin implementation. Texas Organizing Project ("TOPS") and MOVE Texas intervened in the suit in support of the ordinance. In August 2019, the court approved an order submitted by the parties delaying the effective date to December 1, 2019 and abating injunction proceedings until the City amended the ordinance. On October 3, 2019, City Council approved amendments recommended by the Paid Sick Leave Commission. Plaintiff's application for injunction was heard on November 7, 2019 and was granted on November 22, 2019. MOVE Texas filed a notice of appeal of that decision and the City joined in the appeal. Plaintiffs/Appellees filed a motion with the Fourth Court of Appeals to abate the matter until the Texas Supreme Court issues a decision in the pending appeal concerning a similar Austin Paid Sick Leave ordinance. On March 4, 2020, the Fourth Court of Appeals granted the abatement. On June 5, 2020, the Texas Supreme Court refused to review an order from the Third Court of Appeals finding that the Austin Paid Sick Leave Ordinance was unconstitutional and preempted by the Texas Minimum Wage Act. On June 12, 2020, Intervenor/Appellants in the San Antonio matter filed an opposed motion to lift the abatement. On June 26, 2020, the Fourth Court of Appeals entered an order reinstating the case to the docket. Intervenor/Appellant filed a brief with the Fourth Court of Appeals on July 16, 2020. On July 16, 2020, the City filed a letter notifying the Fourth Court of Appeals it was adopting Intervenor/Appellant's brief and requesting that the court reverse the December 12, 2019 temporary injunction. On September 4, 2020, Plaintiffs/Appellees filed responsive briefs and a partially opposed motion to dismiss for want of jurisdiction and motion to strike. On March 10, 2021, the Fourth Court of Appeals issued its opinion affirming the Temporary Injunction. The parties are discussing resolution of this matter.

SAN ANTONIO PARK POLICE OFFICERS ASSOCIATION LAWSUIT

On September 3, 2019, the San Antonio Park Police Officers Association ("PPOA"), the union representing the park and airport officers, sued the City alleging that State law requires that PPOA receive the same pay and benefits as City police officers. PPOA seeks a declaratory judgment that park and airport officers are entitled to both civil service and collective bargaining rights and benefits bargained for by the SAPOA. The City filed pleadings seeking the dismissal of the suit in November 2019. On February 21, 2020, the court heard the City's and SAPOA's pleas to the jurisdiction. The court denied the motions. The City appealed to the Fourth Court of Appeals. Oral argument was held on March 4, 2021.

AIRPORT CONCESSION

Background. On March 21, 2019, the City Council considered a recommendation to award a concession contract for the San Antonio International Airport to Paradies Lagadere (“Paradies”). The Paradies proposal included a Chick-fil-A fast food concept as part of the overall package. After deliberation the City Council approved a motion to award the contract to Paradies, with the further instruction to replace the Chick-fil-A concept with a different national fast food concept.

Patrick Von Dohlen et al. v. City of San Antonio et al. On September 26, 2019, the City was served with a lawsuit brought by five individuals (Patrick Von Dohlen, Brian Greco, Kevin Jason Khattar, Michael Knuffke, and Daniel Petri) against the City and Paradies. The lawsuit alleges that the City Council vote taken on March 21, 2019 concerning food vendors at the City’s airport, violated a newly enacted law by the Texas Legislature in the Texas Government Code, Section 2400.002. The law became effective on September 1, 2019 after the City Council action and states: “[A] governmental entity may not take any adverse action against any person based wholly or partly on the person’s membership in, affiliation with, or contribution, donation, or other support provided to a religious organization.” The City filed a motion to dismiss and plea to the jurisdiction, challenging the ex post facto application of the law. The motion to dismiss and plea to the jurisdiction were denied. The City filed an interlocutory appeal to the Fourth Court of Appeals, which reversed the denial and rendered judgment in favor of the City. Plaintiffs have filed a petition for review with the Texas Supreme Court.

SAWS’ LITIGATION; POTENTIAL CONTROVERSIES AND CLAIMS

SAWS is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that SAWS caused personal injuries; claims from contractors for additional amounts under construction contracts; employment discrimination claims, and various other liability claims. The amount of damages in some of the pending lawsuits is capped under the TTCA. SAWS intends to defend vigorously against the lawsuits; including the pursuit of all appeals. While no prediction can be made, as of the date hereof, with respect to the liability of SAWS for such claims or the outcome of such lawsuits, in the opinion of SAWS, the outcome of the pending litigation will not have a material adverse effect on SAWS, its operations, or financial position.

Cause No. 2020ED0021; City of San Antonio by and through its San Antonio Water System v. Milberger Landscaping, Inc., et al., Probate Court No. 1. This is a condemnation suit to acquire a permanent 0.563 acre sewer easement and two temporary construction easements totaling 0.360 acres for the E-4 Bulverde Area Capacity Relief Sewer Project. SAWS’ final offer amount was \$185,100. The landowner did not counter but has objected to the project and rejected SAWS’ final offer. Special Commissioners were appointed by the Court and a hearing held on August 27, 2020, and the amount of \$230,000.00 was awarded. SAWS subsequently deposited said award into the Court registry. The landowner objected to the award and the right to take. Several hearings with the Court have since occurred, during which the Court rejected the landowners’ Motion to Dismiss. There is presently a Motion to Abate by the landowner on file with Court awaiting a ruling. Ultimately, absent earlier settlement, the case will be heard by a jury.

Case No. 20-L-1317; Juanita Castellanos and Jeffrey Cunningham v. CBS Corp., Ford Motor Co., Honeywell, 3M, Levi Strauss, Friedrich Air Conditioning, SAWS, et al., in the Third Judicial Circuit Court, Madison County, Illinois. This lawsuit was filed against SAWS in October 2020 and was served on SAWS on November 20, 2020. Plaintiffs seek to recover damages for alleged personal injuries. Plaintiff Castellanos alleges that she suffers from mesothelioma caused by secondary exposure to asbestos fibers as a result of her husband, Plaintiff Jeffrey Cunningham’s employment at SAWS. Plaintiffs claim damages in excess of \$50,000. SAWS denies all allegations against it and will vigorously defend the lawsuit.

Cause No. 2020-CI-05053; JoAnn Rivera, Victoria Rivera, and Philip M. Ross v. Oscar Renda Contracting, Inc., San Antonio Water System, and the City of San Antonio, in the 225th Judicial District Court, Bexar County, Texas. Plaintiffs are property owners and/or occupants adjacent to a SAWS’ construction project. The lawsuit was served on SAWS on August 21, 2020. Plaintiffs filed their third amended Petition on May 4, 2021. Plaintiffs are alleging the construction has caused damage to their property and are making claims for negligent nuisance, constitutional takings and negligence. The plaintiffs seek damages in excess of \$1,000,000. SAWS denies all allegations against it and will vigorously defend the lawsuit.

Cause No. 04-20-00569-CV; City of San Antonio by and through the San Antonio Water System v. Campbellton Road Ltd., in the 4th Court of Appeals, Bexar County, Texas. This lawsuit was served on August 10, 2020, and seeks specific performance or damages based on an alleged breach of a 2003 contract for sewer services that was for a term of 10 years. The Plaintiff alleges that it is entitled to a total 1,500 equivalent dwellings units of sewer service capacity within the system even though the 10-year term expired in 2013. SAWS filed a plea to the jurisdiction which was denied by the District Court on November 10, 2020. The System has appealed that ruling to the Fourth Court of Appeals for the State of Texas. The System will vigorously defend this lawsuit; however, if a court were to ultimately decide that this Plaintiff has rights to the System’s capacity in perpetuity, then that could impact the System’s ability to manage capacity in relation to other similarly situated developer customers and require the System to incur costs to construct new facilities.

Cause No. D-1-GN-20-007317; In re City of San Antonio, Texas acting by and through the San Antonio Water System Board of Trustees; in the 126th Judicial District Court, Travis County, Texas. On December 10, 2020, the City, acting by and through SAWS, filed an Original Petition for Expedited Declaratory and Injunctive Relief (the “Petition”) under Chapter 1205, Texas Government Code, as amended, in Travis County, Texas. In the Petition, the City, acting by and through SAWS, requested action to validate the terms of the ordinances authorizing the issuance of senior lien, junior lien, and commercial paper revenue obligations. The authorizing ordinances terms, including governance and amendment terms, had been brought into question by a charter amendment petition being circulated in the City. The circulators of the charter petition failed to timely obtain the signatures required to be placed on the ballot, and as a result, on January 25, 2021, SAWS elected to voluntarily nonsuit the claims without prejudice to reassertion. Certain intervenors in the case have brought a motion for sanctions against SAWS and the motion has not been determined.

Civil Action No. 5:21-CV-00333-OLG; John Ripley v. Bexar County, Texas, San Antonio, Texas, San Antonio Water System, Sheriff Javier Salazar, Individually, Deputy W. Lee, Individually, Deputy J. Rodriguez, Individually, Deputy S. Carillo, Individually, and Robert Vasquez, in the United States District for the Western District of Texas. Mr. Ripley, the owner of the Jasper Mobile Home Park in the City, was arrested by the Bexar County Sheriff's Office department on May 19, 2020 in connection with alleged water theft. The case was later dismissed, for insufficient evidence. Mr. Ripley alleges multiple causes of action, including violations of the First, Fourth and Fourteenth Amendment, bystander/failure to intervene liability, assault and battery, and specifically, as it relates to SAWS, failure to use ordinary care in training, hiring, and supervising employees and giving out information and records concerning water use. This lawsuit was served on SAWS on June 2, 2021 and seeks unspecified damages. SAWS denies all allegations against it and will vigorously defend the lawsuit.

Potential Claim. On March 8, 2021, SAWS received notice of claim ("Claim Notice") for the death of Esequiel Mendoza from attorneys representing the wife and children, individually and as representatives of the estate of Mr. Mendoza. The Claim Notice was also sent to CPS Energy and the City Clerk for the City of San Antonio, claiming collective actual damages of \$25,000,000. Mr. Mendoza was a patient at a dialysis facility that allegedly experienced disruption of electric and water service during the extreme weather events of February 14-17, 2021 in the City. See "TEXAS 2021 WINTER WEATHER EVENT" herein. The Claim Notice alleges that the Mr. Mendoza passed away on February 22, 2021 as a result of the interruption of his dialysis services. A lawsuit for wrongful death and other claims was filed in Bexar County District Court against CPS Energy. If this Claim Notice evolved into a lawsuit against SAWS, SAWS would assert all available defenses, including, without limitation, applicable governmental immunity defenses.

TAX MATTERS

OPINION

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P. and Kassahn & Ortiz, P.C., Co-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 Code. Except as stated above, Co-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 E – FORM OF CO-BOND COUNSEL'S OPINION.

In rendering its opinion, Co-Bond Counsel to the City will rely upon (a) the City's federal tax certificate, as well as the Sufficiency 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 Co-Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Co-Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Co-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. Co-Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the 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. Co-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 Co-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.

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 Non-U.S. Holders, 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.

TEXAS LEGISLATURE

On January 12, 2021, the 87th Texas Legislature convened in general session, which adjourned on May 31, 2021. The Texas Governor called a special session to begin July 8, 2021 and may thereafter call one or more additional special sessions. The Texas Legislature enacted legislation that affect current law as it relates to the City, SAWS, and the System, the scope and breadth of which still being determined. See “TEXAS 2021 WINTER WEATHER EVENT – Legislative Response” herein. Neither SAWS nor the City make any representation regarding any actions the Texas Legislature previously took, and may take in the future, but intend to analyze recent legislation and prospectively monitor proposed legislation for any developments applicable thereto.

RATINGS

Fitch, Moody’s, and S&P have rated the Bonds “AA”, “Aa2”, and “AA”, respectively. 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 any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds. A securities’ rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City, acting by and through SAWS (who has accepted such responsibility by resolution of the Board adopted on May 4, 2021), 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 an “obligated person” with respect to the Bonds, within the meaning of the SEC’s Rule 15c2-12 (the “Rule”). Under the agreement, SAWS, on behalf of the City, will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB through its EMMA system where it will be available free of charge to the general public at www.emma.msrb.org.

ANNUAL REPORTS

SAWS will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to SAWS of the general type included in this Official Statement under the sections “DEBT AND OTHER FINANCIAL INFORMATION” and “SAWS’ STATISTICAL SECTION AND MANAGEMENT DISCUSSION”, and in APPENDIX B. SAWS will update and provide this information within six months after the end of each fiscal year ending in and after 2021.

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 through EMMA or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, SAWS will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as SAWS may be required to employ from time to time pursuant to State law or regulation.

SAWS’ current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless SAWS changes its fiscal year. If SAWS changes its fiscal year, it will file notice of such change with the MSRB.

NOTICE OF CERTAIN EVENTS

SAWS will also provide timely notices of certain events to the MSRB. SAWS will provide notice 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 IRS 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 SAWS; (13) the consummation of a merger, consolidation, or acquisition involving the City or SAWS or the sale of all or substantially all of the assets of the City or SAWS, 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 or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City or SAWS, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation

of the City or SAWS, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or SAWS, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. Neither the Bonds nor the Ordinance make any provision for liquidity enhancement, debt service reserves as additional security for the Bonds, or credit enhancement. In addition, SAWS will provide timely notice of any failure by SAWS to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, (A) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the City or SAWS in a proceeding under the United States 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 SAWS, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers 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 or SAWS, and (B) the City and SAWS intend the words used in clauses (15) and (16) of the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION

All information and documentation filing required to be made by the City, acting by and through SAWS, in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB via the EMMA System at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City, acting by and through SAWS, has agreed to update information and to provide notices of certain events only as described above. The City, acting by and through SAWS, has not agreed to provide other information that may be relevant or material to a complete presentation of SAWS’ financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City and SAWS make no representation or warranty concerning such information or concerning their usefulness to a decision to invest in or sell Bonds at any future date. The City and SAWS disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of their 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 and SAWS to comply with their agreements.

The City may amend its continuing disclosure agreement 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 or SAWS, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein 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 or SAWS (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 this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed that SAWS, on behalf of the City, shall include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

Except as described below, during the past five years, SAWS has complied in all material respects with all continuing disclosure agreements made by the City for which SAWS has agreed to comply on the City’s behalf, in accordance with the Rule.

On March 18, 2020, the City closed its “Water System Junior Lien Revenue Bonds, Series 2020B” sold to the TWDB pursuant to a private placement. The City, acting by and through the SAWS, previously covenanted in its prior continuing disclosure undertakings to provide notice of incurrence of a material financial obligation. The City provided this notice, along with a notice of late filing, on November 18, 2020. The City has taken measures to assure prospective compliance with its undertaking obligations.

EFFECT OF SEQUESTRATION AND IRS OPERATIONS DURING THE PANDEMIC

The City has determined that the reduced amount of refundable tax credit payments to be received from the United States Treasury in relation to its outstanding obligations designated as “build America bonds” and “qualified bonds” under the Code as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to the Budget Control Act of 2011 (commonly referred to as “Sequestration”) will not have a material impact on the financial condition of the City or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing. Under current law, Sequestration is scheduled to continue through September 2029. The current reduction in debt subsidy payment received by the City from the U.S. Treasury as a result of Sequestration is 5.7 % for Fiscal Year 2021. Additionally, on June 22, 2020, the IRS issued a notice that due to the suspension or limitation of operations related to the Pandemic, the processing of returns for credit payments to issuers of qualified bonds, including requested payments, were being delayed. See “SECURITY FOR THE BONDS - Refundable Tax Credit Bonds” for a discussion related to the limited effect of Sequestration or delayed processing of returns by the IRS on the City’s outstanding obligations payable from SAWS’ revenues as a result of a prior defeasance and refunding of certain Tax Credit Bonds.

OTHER INFORMATION

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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 therein; nor have the Bonds been qualified under the securities acts of any other 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 must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City has agreed to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, 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 of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended), requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "RATINGS" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The 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.

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

LEGAL MATTERS

The City will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Co-Bond Counsel to the effect that the Bonds are valid and legally binding special obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. In their capacity as Co-Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, and Kassahn & Ortiz, P.C., San Antonio, Texas, have reviewed the information appearing in this Official Statement under the captions "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (except for the information under the captions "Outstanding Debt", "Perfection of Security for the Bonds", "Book-Entry-Only System", and "Payment Record", as to which no opinion is expressed), "SECURITY FOR THE BONDS", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the caption "Compliance with Prior Undertakings", as to which no opinion is expressed), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (except for the last sentence of the first paragraph of such subsection, as to which no opinion is expressed), "APPENDIX D - SELECTED PROVISIONS OF THE ORDINANCE", and "APPENDIX E – FORM OF CO-BOND COUNSEL'S OPINION" to determine whether such information accurately and fairly describes and summarizes the information, material and documents and legal issues referred to therein and is correct as to matters of law and such firms are of the opinion that the information relating to the Bonds, the Ordinance and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and the legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. Co-Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy and completeness of this Official Statement. No person is entitled to rely upon Co-Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to the accuracy or completeness of any of the information contained herein. Though they represent the Co-Financial Advisors and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Co-Bond Counsel have been engaged by and only represent the System and the City in connection with the issuance of the Bonds. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on issuance and delivery of the Bonds. The legal opinions of Co-Bond Counsel will accompany the obligations deposited with DTC or will be printed on the definitive obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriters by Locke Lord LLP, Austin, Texas, Counsel for the Underwriters (whose legal fees are contingent upon the issuance of the Bonds).

The various 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 explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor

of that 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 out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from SAWS' 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 herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CO-FINANCIAL ADVISORS

PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc. are employed as Co-Financial Advisors to the System in connection with the issuance of the Bonds. The Co-Financial Advisors' fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc., in their capacity as Co-Financial Advisors, have relied on the opinion of Co-Bond Counsel and have not verified and do not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax treatment of the interest on the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

RBC Capital Markets, LLC, as the senior and book-running manager of a group of underwriters (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Bonds from the City at the prices indicated on page ii of this Official Statement, less an underwriting discount of \$994,231.18, and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City or the System 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 may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

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

Citigroup Global Markets Inc., one of the Underwriters of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

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. The City's and SAWS' actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements, included herein, 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, 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 of 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.

MISCELLANEOUS

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

The Ordinance also approved the form and content of this Official Statement and any addenda, supplement, or amendment thereto and authorized its further use in the reoffering of the Bonds by the Underwriters. This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

/s/ Ron Nirenberg
Mayor
City of San Antonio, Texas

ATTEST:

/s/ Tina J. Flores
City Clerk
City of San Antonio, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Obligations to be refunded with proceeds of the Bonds:

City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2011A

Maturity Date (5/15)	Interest Rate (%)	Par Amount (\$)	Call Date	Call Price (%)
2022	2.200	500,000	7/28/2021	100.000
2023	2.400	510,000	7/28/2021	100.000
2024	2.550	525,000	7/28/2021	100.000
2025	2.700	540,000	7/28/2021	100.000
2026	2.850	555,000	7/28/2021	100.000
2027	2.950	570,000	7/28/2021	100.000
2028	3.050	590,000	7/28/2021	100.000
2029	3.150	605,000	7/28/2021	100.000
2030	3.250	625,000	7/28/2021	100.000
2031	3.300	645,000	7/28/2021	100.000
2032	3.400	670,000	7/28/2021	100.000
2033	3.500	690,000	7/28/2021	100.000
2034	3.550	715,000	7/28/2021	100.000
2035	3.650	745,000	7/28/2021	100.000
2036	3.700	770,000	7/28/2021	100.000
2037	3.700	800,000	7/28/2021	100.000
2038	3.700	830,000	7/28/2021	100.000
2039	3.700	860,000	7/28/2021	100.000
2040	3.700	895,000	7/28/2021	100.000
2041	3.900	930,000	7/28/2021	100.000

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

APPENDIX B

EXCERPTS FROM THE SAN ANTONIO WATER SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2020

The information contained in this Appendix consists of excerpts selected by the Co-Financial Advisors from the San Antonio Water System Comprehensive Annual Financial Report for the Year Ended December 31, 2020 but is not intended to be a complete statement of the System's financial condition. Reference is made to the complete report for further information.

APPENDIX C

UNAUDITED FINANCIAL STATEMENTS (THROUGH MARCH 31, 2021)

APPENDIX D

SELECTED PROVISIONS OF THE ORDINANCE

APPENDIX E

FORM OF CO-BOND COUNSEL'S OPINION